FINANCIAL TIMES

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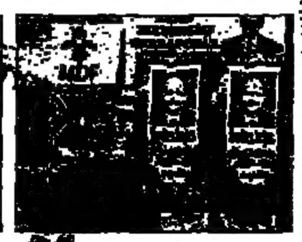

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WORLD NEWS

Radical foreign groups 'supplying arms to Kosovo's ethnic Albanians'

Radical foreign groups, some backed by Iran, are arming the ethnic Albanian Kosovo Liberation Army in its fight against President Slobodan Milosevic's government in Belgrade, according to US diplomats and western intelligence officials. Page 20

Kiriyenko pushes for 5% growth
Sergei Kiriyenko, Russia's new prime minister, vowed to slash the national debt and produce economic growth of 5 per cent a year by 2001. Page 3

Denmark outlaws strikes
Denmark's parliament rushed through legislation to outlaw from today the strikes and lock-outs which have paralysed the country since April 27. Page 2

Dutch business urges reform action
Dutch business urged the next government to carry through market reforms initiated in the last four years, after a general election on Wednesday produced a shift to the left. Page 3

Russia rules out Kuriles deal
Russia ruled out concessions to Japan over the disputed Kuriles Islands off its Pacific coast. Russia said it was in no state to relinquish the islands it seized at the end of the second world war. Page 4

Indonesian army appeal to students
General Wiranto, Indonesia's armed forces commander in chief, pleaded with students to cease their violent agitation, as the rupiah hit a three-month low in response to riots in Medan. Page 4

Britain accused of interfering in HK
China accused Britain of interfering in Hong Kong affairs, condemning planned meetings between British consular officials and candidates in the territory's forthcoming legislative elections. Page 4

British Columbia in logging talks
The government of British Columbia is holding talks with Greenpeace to try to end the pressure group's campaign against the Canadian province's timber exports. Page 6

Brazil budget reform setback
Brazil's efforts to rein in its large budget deficit have suffered a serious setback after the lower house of Congress rejected one of the central parts of a bill to reform the social security system. Page 6

Warning over US tax overhaul
US tax collectors warned Congress that attempts to overhaul the Internal Revenue Service would make it "virtually impossible" to solve the millennium computer bug. Page 6

Canada plea on salmon ban upheld
A Canadian complaint that an Australian ban on salmon imports violates world trade rules has been upheld. Page 8

FTC to act on internet advertising
The US Federal Trade Commission is to address concerns about false advertising claims on the internet by updating its rules. Page 6

US workers' productivity slows
US workers' productivity, which has been rising sharply for the last two years, raising hopes of a long-term shift in US economic performance, slowed in the first three months of 1998. Page 6

Software piracy crackdown urged
South-east Asian countries could create thousands of jobs and generate hundreds of millions of dollars in tax revenues by cracking down on software piracy. Page 8

BUSINESS NEWS

Volvo pays $572m for Samsung's construction equipment arm

Swedish automotive group Volvo is to become the world's third-largest manufacturer of industrial excavators and earth movers after agreeing to pay $572m for the construction equipment arm of South Korea's Samsung Heavy Industries. The deal places Volvo behind Caterpillar of the US and Komatsu of Japan in the sector. Page 21; Komatsu results, Page 24

Chase Manhattan is to buy Morgan Stanley Dean Witter's global custody business – increasing the assets for which it is responsible by $400bn to $4,700bn. The terms were not officially disclosed, although Chase is thought to have paid about $600m. Page 21

Boliden, Canadian-Swedish mining company, is to pay farmers in southern Spain compensation estimated at $6.5m after a toxic spill at one of its mines. Page 2

Investor shareholders are to be offered a 50 per cent discount on shares in Saab, the Swedish group's wholly-owned aerospace subsidiary, ahead of its flotation this summer. Page 25

Ionian Bank workers staged a one-day strike against the Greek government's decision to offer control of the state-owned group to a private bidder. Page 2

Bank of Credit and Commerce International's liquidators have recommended that a second dividend be paid to worldwide creditors of the bank, which collapsed seven years ago. Page 5

US Fed chairman Alan Greenspan described lending between international banks as "the Achilles' heel of the international financial system" and suggested curbs. Page 6

Brazil plans to stick to its ambitious target of selling state-controlled telecoms holding company Telebrás by the end of July. Page 6

Hyundai, LG and SK of South Korea have unveiled restructuring plans in response to government pressure to reduce large debts. Page 24; Lex, Page 20

Commonwealth Development Corporation, the UK's international development finance institution, is making available a $30m medium-term equipment financing facility for businesses operating in Cuba. Page 6

Philippine banking index fell 2.6 per cent after credit rating agency Moody's downgraded its ratings on Philippine National Bank, the country's second largest. Page 24

Asian currencies fell sharply after a report on the internet that Chinese central bank official Yi Gang suggested Beijing would come under pressure to devalue the renminbi (yuan) later this year. Page 20; Currencies, Page 29

The US Securities and Exchange Commission has appointed Colorado-based Lynn Turner as chief accountant. Page 6

Scitex, struggling Israeli graphic arts and digital print maker, has launched a buy-back plan to revive its sliding share price. Page 25

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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VW trumps BMW over R-R Motors

Surprise acceptance by Vickers may lead to bidding war

By Jonathan Ford and Andrew Edgecliffe-Johnson in London and Andrew Fisher and Graham Bowley in Frankfurt

Vickers performed an unexpected U-turn yesterday when it recommended a £430m ($718m) offer from Volkswagen for Rolls-Royce Motor Cars, reversing its support for a £340m bid from BMW. Analysts said that VW's unsolicited bid for the UK luxury carmaker was not necessarily a knockout blow, and predicted a fierce German bidding war.

"BMW is likely to put another bid on the table and if that is higher than VW's, it will get the nod," said one analyst.

BMW signalled last night that it was not pulling out of the race for Rolls-Royce, although it refused to comment on the likelihood of raising its bid. Last week it said its terms were final.

"We still believe our bid is an extremely good one, the best one, and that it can be developed very rapidly," said BMW. It was "fair for the company and for its shareholders".

Rolls-Royce, the aero engine maker which owns the Rolls-Royce name, said it would still prefer the carmaker to be sold to BMW, although it accepted that it was for Vickers shareholders to decide.

Both offers will now be put to Vickers shareholders at a meeting on June 4, unless BMW withdraws its offer beforehand. Vickers said it would be recommending that shareholders accept Volkswagen's offer.

VW, which finalised its bid yesterday afternoon, said: "We are delighted to hear this. But we also have the deepest respect for the on-going decision making process with Vickers shareholders. We will wait for the decision the shareholders will take."

Vickers' shareholders were also promised a larger payout by the company yesterday. Its earlier proposals for a return of capital have been stepped up from £188m to £273m, or from 55p per share to 80p.

VW's offer does not include Cosworth, Vickers' engines division, which it had earlier indicated it wished to buy. But Vickers said "it would be Volkswagen's preference to source engines for Rolls-Royce from within Britain."

Cosworth already supplies engines for two-door Rolls Royce cars, whereas BMW supplies the four-door models. Vickers hinted that Cosworth's supply contract could be expanded were VW to win. VW privately described its offer as a "more British solution".

VW has also said it recognised the need to keep Rolls-Royce as independent as possible. For this reason it said it had ruled out bringing Rolls-Royce under the control of its existing Audi luxury marque. It would remain an independent company within the VW stable and retain a British management board.

Sir Colin Chandler, Vickers chairman, said: "Throughout the Rolls-Royce Motor Cars sale process, we have focused on achieving the maximum value for our shareholders, and this remains the case."

He avoided appearing to favour either bidder, saying: "I am confident as to the prospects for Rolls-Royce Motor Cars under the ownership of either BMW or Volkswagen – both are leading players in the luxury automotive segment, capable of continuing to develop this premier business."

VW would buy Rolls-Royce free of debt, but would make an adjusting payment for any change in the net operating assets from last December's figure of £149m. Rolls-Royce made profits before interest of £36.5m on sales of £305m last year.

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CARMAKERS SAY BIGGEST INDUSTRIAL LINK-UP WILL CHANGE FACE OF THE MOTOR INDUSTRY

Daimler and Chrysler agree $92bn merger

By John Griffiths and Virginia Marsh in London and Nikki Tait in Chicago

Daimler-Benz, Germany's biggest industrial group, and Chrysler, the US carmaker, yesterday announced the biggest industrial merger to create the world's fifth largest vehicle maker with a stock market value of $92bn.

The two groups said the new company, to be called Daimler-Chrysler, "will change the face of the world motor industry".

They described the deal as a "merger of equals". Jürgen Schrempp, chairman of Daimler-Benz, and Robert Eaton, Chrysler chairman, will be co-chairmen and chief executives.

However Daimler-Benz shareholders, led by Deutsche Bank, will hold 57 per cent of the company, which will be incorporated in Germany. The deal is dependent on acceptance by shareholders and regulatory approval in the US and Germany and by the European Union.

Under the terms of the share-swap merger, Daimler-Benz equity holders will receive one share of DaimlerChrysler for each Daimler-Benz share. Chrysler stockholders, led by Kirk Kerkorian with a 14 per cent holding, will receive 0.547 of a Daimler-Chrysler share for each Chrysler share, but this is to be adjusted to an expected 0.62, after shareholder approval of a special dividend scheduled for next month.

Analysts said the merger was likely to prove the catalyst for a long-expected consolidation of the industry, particularly in Europe where last year it used only 71 per cent of capacity.

"I would not expect it to open immediately a Pandora's box of consolidation", said John Lawson of Salomon Smith Barney. "But there is no gain without loss. Currently there are 20 significant manufacturers in an industry which does not really need more than half-a-dozen."

The merger is intended to extend throughout the companies, including sharing of components, rationalised use of manufacturing facilities and, in the longer term, possible sharing of vehicle "platforms" – the basic engineering structure of cars.

The chairmen stressed that the Mercedes-Benz and Chrysler brands – the latter's include Jeep, Dodge and Plymouth – will be kept separate. "We will do nothing whatsoever to compromise the respective brands, which we regard as two of the most valuable in the world in their sectors," said Mr Eaton.

They sought to reassure the combined company's 421,000 employees that there would be no job losses. Indeed, in a statement likely to cause tremors throughout the industry, Mr Eaton said: "We plan to add capacity on both sides of the Atlantic."

Mr Eaton will step down after three years. "I have no doubt that Jürgen Schrempp will continue as sole chairman and chief executive officer," he said.

Synergy benefits are expected to save DaimlerChrysler $1.4bn in 1999, increasing to $3bn in 2000 and the next several years.

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Described as a "merger of equals" the creation of DaimlerChrysler will leave Daimler-Benz's Jürgen Schrempp (left) and Robert Eaton of Chrysler as the company's co-chairman and chief executives. Picture: Reuters

Duisenberg casts doubt over deal

By Wolfgang Münchau and Lionel Barber in Brussels

Wim Duisenberg, the designated president of the future European Central Bank, yesterday challenged Jacques Chirac, the French president, by saying he had not explicitly agreed to step down midway through his eight-year term.

In a defiant performance in front of the European Parliament in Brussels, the Dutch central banker said he might serve more than four years.

This directly contradicted Mr Chirac's insistence last weekend that Mr Duisenberg, 62, would stand down between January and July 2002.

Speaking at his confirmation hearing Mr Duisenberg called last weekend's deal by European Union leaders to name a Frenchman as his successor "slightly absurd". He declared the ECB would be dedicated to pursuing price stability and defending its independence.

He said the minutes of ECB council meetings would not be published for 16 years. The statement provoked gasps of surprise among some MEPs, who expected him to be more accommodating.

Mr Duisenberg said he was influenced by what he called the damaging dispute over interest rates inside the Bank of England's monetary policy committee. He said it had contributed to the overvaluation of sterling and increased market uncertainty. He said divisions in the MPC had been exposed in public, making it more difficult for members to change their votes without loss of face.

He also raised doubts about the US Federal Reserve's practice of publishing minutes.

In a confident display lasting three hours, Mr Duisenberg said nationality as opposed to professional competence was not a criterion for naming ECB board members. "I deplore the fact that the nationality question has come to the fore."

Mr Duisenberg told MEPs: "I have never stated that I will serve for only four or five years. I have merely indicated that I regard it's not likely that, if appointed, I will serve the full term of eight years."

When asked whether he might even serve a full eight-year term, Mr Duisenberg said: "Given good health, yes." In a written deposition, however, he said that his likely term of office would be between four and eight years.

The European Parliament is to vote on the nomination of the six members of the ECB's executive board en bloc next week. Mr Duisenberg said he might reconsider his decision to accept the nomination, if the parliament overwhelmingly voted against recommending the board's nomination.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8997.36	(-57.29)
NASDAQ Composite	1843.45	(-13.23)
Europe and Far East		
CAC40	3906.38	(-41.09)
DAX	5186.23	(-43.57)
FTSE 100	5939.0	(-54.4)
Nikkei	15,143.08	(-100.81)
US Lunchtime RATES		
Federal Funds	5.25%	
3-mth Treas Bills: Yld	5.102%	
Long Bond	102⅞	
Yield	5.955%	
OTHER RATES		
UK: 3-mth Interbank	7⅝%	(same)
UK: 10 yr Gilt	109.887	(110.375)
France: 10 yr OAT	103.41	(103.53)
Germany: 10 yr Bund	106.98	(107.15)
Japan: 10 yr JGB	110.97	(110.71)
NORTH SEA OIL (Argus)		
Brent Dated	$14.065	(14.105)

GOLD		
New York Comex	$299.6	(301.6)
London	$298.55	(300.15)
EXCHANGE RATES		
Dollar		
New York Lunchtime		
£	1.6477	
DM	1.79875	
FFr	5.016	
SFr	1.4713	
Y	133.12	
London		
£	1.6459	(1.6621)
DM	1.7936	(1.7648)
FFr	5.0133	(5.0191)
SFr	1.4691	(1.4754)
Y	133.035	(132.74)
Tokyo Close		Y 133.25
Sterling		
DM	2.9039	(2.9332)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Bahrain	[illegible]	Belgium	[illegible]	Cyprus	[illegible]
Denmark	[illegible]	Estonia	[illegible]	Finland	[illegible]
France	[illegible]	Gibraltar	[illegible]	Greece	[illegible]
Hungary	[illegible]	Iceland	[illegible]	Italy	[illegible]
Jordan	[illegible]	Kuwait	[illegible]	Latvia	[illegible]
Lithuania	[illegible]	Luxembourg	[illegible]	Morocco	[illegible]
Netherlands	[illegible]	Nigeria	[illegible]	Norway	[illegible]
Oman	[illegible]	Poland	[illegible]	Portugal	[illegible]
Qatar	[illegible]	S.Arabia	[illegible]	S.Africa	[illegible]
Spain	[illegible]	Sweden	[illegible]	Syria	[illegible]
Switzerland	[illegible]	Tunisia	[illegible]	UAE	[illegible]

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WORLD NEWS

EUROPE

Duisenberg strikes an independent chord

By Lionel Barber and Wolfgang Münchau in Brussels

Wim Duisenberg yesterday gave the European Parliament a dose of Dutch-style candour and independence which left no one in any doubt he will be his own man as president of the future European Central Bank.

During three hours of lively questioning, Mr Duisenberg took a swipe at President Chirac and Gordon Brown, UK chancellor, and still managed to find time to offer guidance on the future monetary policy of the ECB.

It was a seductive performance, which removed much bad taste left by last weekend's Brussels summit. There Mr Duisenberg, 62, was obliged under French pressure to state he would take early retirement rather than serving the full eight year term stipulated in the Maastricht treaty.

The Dutchman waited until a Dutch MEP spoke to retaliate. She asked him about the political commitment to name a Frenchman as his successor, most likely Jean-Claude Trichet, governor of the Bank of France.

Mr Duisenberg paid tribute to an "excellent candidate" but avoided mentioning Mr Trichet by name. And he mocked the idea of using nationality as a criterion for membership, calling it "slightly absurd". MEPs soon gave up trying to pressure Mr Duisenberg and – prodded by a friendly chair – turned to macro-economic policy issues. The resulting interchanges showed parliament's desire to become the prime interlocutor and point of accountability for the ECB may not be as far-fetched as some imagine.

Mr Duisenberg revealed the European System of Central banks (the ECB and the national banks of the 11-member euro zone) would opt for a strategy of inflation targets and monetary targeting. This would make policy more complicated to explain to the public, "but it has to be done".

He took a hard line on publishing the minutes of the ECB's meetings but offered to testify – along with other board members – at least once every quarter to the European Parliament. He promised regular speeches and press interviews. However, he ruled out testifying before national parliaments and said the recent invitation by the French national assembly caused him great difficulty. National central bankers – not members of the supranational ECB – were accountable to national parliaments. Turning to monetary policy, Mr Duisenberg brushed aside British socialist suggestions that his two fellow nominees – Otmar Issing of Germany and Sirkka Hämäläinen of Finland were tougher on inflation at the expense of growth and employment.

"Four years of negative price rises in the Netherlands has not done any harm to the economy." He said he saw no evidence of deflation, adding that: "I see more signs that price stability has not been achieved than the other way round."

Mr Duisenberg was equally candid about his opposition to the French-inspired idea of a political counterweight to the ECB. On the Euro-X council, the informal forum for euro zone finance ministers, he said: "I am not 100 per cent sure how it will develop."

But he had some hard words, too, for Germany. He described the Bonn government's efforts to introduce labour market and other structural reforms as "very much talked about but very little done".

He hoped the four countries initially outside Emu – Britain, Denmark, Greece and Sweden – would join soon. Asked whether Britain would first have to join the new Exchange Rate Mechanism, Mr Duisenberg said there was no mention of the ERM 2 in Maastricht. But it was vital to demonstrate the ability to maintain a fixed parity.

Mr Duisenberg was asked whether small countries would be worse off in a monetary union dominated by big countries. He recalled the Dutch record since its decision to shadow the D-Mark in 1983 when he had just become governor of the Central Bank.

"We lived in a quasi monetary union. Were we worse off? I don't think so. We had to shadow Big Brother. Now we will not shadow but we co-decide. So we got our voice back."

Paris, Bonn seek to bring EU institutions closer to citizens

By Robert Graham in Avignon

France and Germany have decided to sound out their EU partners on the manner of bringing Europe's institutions closer to citizens ahead of the changes likely to arise from monetary union.

The initiative, adopted yesterday at the 71st Franco-German summit, will take the form of a letter to Tony Blair, UK prime minister, who holds the current EU presidency, in advance of next month's Cardiff summit of the 15 EU members. The two governments will also approach other EU members.

Paris and Bonn wish to put the issue of subsidiarity firmly on the agenda to clarify future relationships between national governments and parliaments on the one hand and Brussels on the other. "We want to bring Europe as close to the citizens as possible," said Chancellor Helmut Kohl.

However, there was no formal discussion of a move by President Jacques Chirac to propose former EU commissioner Jacques Delors to head a committee of wise men to examine institutional change in Europe. President Chirac's idea for Mr Delors may not have the Germans' full support. But the two leaders appeared most concerned to put a brave face on Franco-German relations after wrangles over the presidency of the European Central Bank at last weekend's Brussels summit.

Mr Kohl reminded journalists that Franco-German relations had survived an unpromising beginning and many ups and downs over more than four decades. The same message came from Mr Chirac, who went out of his way to laud Mr Kohl's role in the construction of the EU and creation of the euro. He did his best to show the crisis with the Dutch over the nomination of their central banker Wim Duisenberg to run the ECB was over.

Daimler aerospace commitment, Page 22

Helmut Kohl (left) gestures to Jacques Chirac and Lionel Jospin after the Franco-German summit yesterday Reuters

Danish action to settle strikes raises doubts

By Hilary Barnes in Copenhagen

Denmark's parliament yesterday rushed through legislation to impose an immediate settlement on the strikes and lock-outs which have paralysed the country since April 27. However, business groups feared that the settlement would damage competitiveness.

The krone strengthened from 3.815 to 3.8125 against the D-Mark.

Pressure on the currency during the conflict caused the central bank to raise the discount rate from 3.5 to 4 per cent with effect from Wednesday.

After completing the anti-conflict legislation, parliament went into recess to give members time to campaign ahead of a referendum on May 28 on the Amsterdam Treaty to increase the ties between EU nations.

Unibank, a large Danish commercial bank, said the settlement would boost the chances that the treaty will be approved by giving workers extra days off.

But the Union of Special Workers, which organises the unskilled and semi-skilled, said the government-imposed settlement was scandalous. Poul Erik Skov Christensen, the union's chairman, said less than half of his members would qualify for the days off.

These only go to workers who have been with the same employer for minimum periods.

But parliament was expected to iron out the anomaly during this evening.

Unibank estimated that wage costs in industry would rise by about 4 per cent a year in the two years of the settlement, while wage costs in the rest of the economy would increase by about 4.5 per cent a year, or slightly more than the bank expected before the conflict.

Unibank added that the settlement would raise pressure on the government to introduce measures to restrict domestic demand when the Folketing (the parliament) returns to work in June.

The economy is working at full stretch after five years with an average GDP growth rate of 3 per cent.

Unemployment fell to 7 per cent in March compared with 8.3 per cent last year, according to figures released yesterday, while the balance of payments slipped into a DKr4bn ($590m) deficit in the six months to March, after being in surplus since 1989.

A pragmatist ready to adapt France to the outside world

Hubert Védrine, French foreign minister, is presiding over a new realism in Paris, write **David Buchan** and **Robert Graham**

If the annual meeting of foreign ministers of the Group of Eight major powers that starts in London today runs smoothly, it will in part be due to a better Franco-American diplomatic relationship, born of a new realism in Paris.

For in Hubert Védrine, France has a foreign minister who rings Washington as readily as Bonn, is willing to complement US peace efforts in the Middle East, and who is prepared to end traditional rivalries with Britain and the US in Africa.

Unlike most predecessors at the Quai d'Orsay, Mr Védrine is ready to adapt France to the world.

The 50-year-old pragmatist wants to drop knee-jerk anti-Americanism but in return see French policy less caricatured in the Anglo-Saxon world.

"We believe the world would be better organised around several poles, but we have got to recognise the US is dominant in all fields: from the military through the commercial to the cultural," he observed in an interview.

"For French policy, this means maintaining all our fundamental objectives and positions, but avoiding daily guerrilla warfare on all fronts (with Washington)."

His mixture of realism with a certain idealism on Europe was learned at the right hand of the late President François Mitterrand whom Mr Védrine served for the latter's full 14 year term in the Elysée.

France's constitution entrusts prime responsibility for foreign policy with the president; and Mr Védrine's experience of how the Elysée handled "co-habitation" with a government of a different political colour was a prime reason why Lionel Jospin, the prime minister, chose him last June. He now acts as a crucial hinge between the Gaullist president Jacques Chirac and Mr Jospin's Socialist-led coalition.

Recent better management of Franco-American differences over Iraq, Iran, trade policy and to a lesser extent over Bosnia and Kosovo has a lot to do with Mr Védrine's willingness to pick up the phone and call US secretary of state Madeleine Albright.

One has to be *plus cool*," he said.

"When we are in agreement, we should say so without any complexes: when disagreeing, we should equally say so....Half of Franco-American problems are misunderstandings and can be removed by greater dialogue."

Even big differences he believes can be moderated by, for instance, giving Washington advance notice of what France is going to say in the United Nations Security Council.

France and the US should avoid "sterile competition" especially in the Middle East, where Mr Védrine said he has introduced "a change of tone".

This is to underline that France and its EU partners wished to play a "complementary" role in the peace process.

But with the Franco-German axis having been strained to the limit over the European central bank presidency, Mr Védrine acknowledged the need to review ties with Bonn and the UK. Mr

Hubert Védrine: rings Washington as readily as he rings Bonn

Védrine did not doubt Britain's "fairly quick" participation in the euro. He lauded it for doing the "best possible" job out of its current EU presidency but regretted the presidency "came too early" for the Blair government to demonstrate real change in Britain's policy towards Europe.

He is content with the way that the UK presidency has dropped public EU criticism of China for a more private approach.

But nowhere does Paris value quiet dialogue more than with Algeria whose internal politics have a direct bearing on the large Algerian community in France.

"The situation remains very difficult," he conceded.

"The attempt by the armed (Islamic opposition) groups to take power has failed, but the tragedy is not yet finished".

France is working to establish "forms of dialogue acceptable to Algeria, whose government has an intransigent idea of national sovereignty".

One helpful sign is the Algerian government's acceptance of visits by journalists and MPs.

In Sub-Saharan Africa, policies initiated by the previous government are being accelerated and expanded – notably on the withdrawal of French troops and closure of military bases.

"We are also altering military co-operation to stress training for peacekeeping," as part of a move to "get beyond the rivalries with Britain and the US which have only brought inconveniences".

Interventionism in Francophone Africa is no longer a serious option – all the more so in the light of an unprecedented parliamentary probe under way into French policy in Rwanda from 1990-94, and into possible complicity in the Hutu-led government's genocide against the Tutsi minority.

Mr Védrine is defensive: "In Rwanda we tried to defend a regime against foreign invaders and to organise a sharing of power between Hutus and Tutsis....unfortunately it failed," he said.

"Perhaps this was a naive policy, but we did try."

He said governments faced a contradiction.

"Media-influenced public opinion in western countries feels there must be intervention, yet at the same time always insists such intervention being done in some other way.... "The challenge is for foreign policy makers to be more transparent, to involve parliaments, to seek UN mandates and to act together."

France seems to be losing its appetite for solo adventures, which may be reassuring to its G8 partners.

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Germany's industrial production falls 1%

By Lucy Smy in Bonn

Industrial production in Germany fell 1 per cent in March, casting doubt on hopes of a strong economic recovery this year.

The month on month seasonally adjusted fall was exacerbated by a further drop of 5.5 per cent in construction output, surprising analysts who predicted a rise in output with the better weather.

The west of the country performed worst, showing a seasonally adjusted decline in production of 1.2 per cent month on month, compared with a 0.5 per cent output drop in the east of the country.

Output of consumer durables fell by 4.5 per cent month on month across the country, in spite of hopes of an increase in production in March, before a VAT rise announced for April.

March's decline reduces the year on year output growth rate to 3.5 per cent from 5.2 per cent achieved last month.

Germany's IFO economics research institute also published figures yesterday showing a fall in capacity utilisation in the manufacturing sector. Utilisation in the west fell to 86.8 per cent in March from 87.4 per cent when last measured in December.

Annual figures on inward and outward investment, released yesterday by the economics ministry, added to the gloom. They showed an unwillingness by both foreign and domestic companies to make large investments in Germany.

Though foreign investment in Germany picked up a little in 1997 from its dramatic low of 1996, German overseas investment rose, giving a net outflow of investment of DM47.3bn ($27bn).

The figure is almost twice the net investment outflow of 1990.

Günther Rexdrodt, economics minister, said: "The relatively small foreign investment in Germany is another reason to push ahead hard with structural economic reform."

NEWS DIGEST

SPANISH CONTAMINATION

Boliden to compensate for toxic spill from mine

Boliden, the Canadian-Swedish mining company, yesterday agreed to pay compensation estimated at $8.5m to farmers in southern Spain for crop losses resulting from a toxic spill at one of its mines last month. The company said it had reached a deal with local government and trade unions to reimburse farmers whose land was flooded by contaminated waste from a breached dam at Boliden's Los Frailes mine, close to Seville.

The spill, described last week by Isabel Tocino, the Spanish environment minister, as a "presumed ecological crime", contaminated rivers and farmland over a 2,100ha area. It also threatened wildlife in the Coto Donaña national park, one of the region's most important tourist sites.

Under the agreement a consultant appointed by Boliden and working under local government supervision will assess the net amount lost by farmers unable to plant, harvest or sell produce. Boliden reiterated it accepted no liability for the dam's rupture and said it believed payments made to farmers would be covered by insurance. **Greg McIvor, Stockholm**

BUNDESTAG APPROVAL

Cartel law reform cleared

Germany's lower house of parliament, the Bundestag, yesterday gave its final approval to a revised cartel law, ending three years of wrangling with industry and political parties about plans to update competition rules.

The reform, which brings German law into line with European Union rules, doubles the annual turnover threshold for notifying mergers to the authorities to DM1bn ($565m) and orders companies to report merger plans in advance rather than retrospectively. It forbids companies abusing a market-dominating position and guarantees anonymity to small companies complaining to the German cartel office about abuses by bigger trading partners.

Controversial additions to the law include a ban on retailers systematically selling goods at below cost price, and a special exemption giving the German football association the right to market television rights to games among the 36 German league clubs. The law was approved yesterday by all parties except the former communist Party of Democratic Socialism. Approval by the Bundesrat, Germany's second chamber, is considered certain so that the law will enter force in 1999. **Peter Norman, Bonn**

GERMAN STATES

Environmental tax rebuff

Germany's constitutional court yesterday ruled that local authorities and federal states are not entitled to levy local environmental taxes on packaging and industrial waste.

Judging a complaint by the McDonald's fast food restaurant chain, the court found the city of Kassel was wrong to impose a tax on the company's non-reusable packaging and utensils. It also backed five chemical companies in complaints against industrial waste taxes levied by the states of Baden-Württemberg, Schleswig-Holstein, Lower Saxony and Hesse.

The court ruled such environmental levies are illegal as they contradict the federal government's waste management policy, which is based on co-operation with industry. They therefore put the affected companies at a commercial disadvantage.

Yesterday's ruling is important in principle, but its financial impact is unclear. Packaging taxes are levied in about 40 German towns only, while the states, except Schleswig-Holstein, had already stopped gathering waste taxes. Schleswig-Holstein yesterday announced a clampdown on public spending to meet the estimated DM100m ($56m) cost of paying back the industrial waste levy. **Peter Norman**

EU SHIPBUILDING

Subsidy proposals backed

European Union industry ministers yesterday adopted proposals by the European Commission to phase out operating subsidies to shipbuilders by the end of 2000. The deal is the first big reform to 30-year-old regulations which allow member states to grant operational aid amounting to 9 per cent of the cost of every ship.

It substitutes regional aid of between 12.5 per cent and 22.5 per cent of investment costs, depending on regional economic conditions. Regional aid is authorised under EU law, as part of efforts to boost economic development and reduce unemployment. The Commission has insisted that operating aid distorts competition in the single market.

The regulation was adopted by qualified majority (less than 30 per cent opposition) with Germany, Portugal and Sweden opposing it. Greece abstained. Margaret Beckett, UK trade and industry secretary, chaired the meeting. She said the deal addressed concerns over unfair pricing from outside the EU, as it included "arrangements for the Commission to monitor any potential unfair practices and to take necessary action". **Samer Iskandar, Brussels**

GREEK PRIVATISATION

Bank staff stage strike

Workers at Ionian Bank, a state-controlled group, yesterday staged a one-day strike in protest against the decision by Greece's Socialist government to offer a controlling stake to a private bidder. The government is trying to speed privatisation in the banking sector, which is dominated by inefficient state banks, ahead of the euro's launch next January.

Yannos Papantoniou, the economy minister, said most of the 62 per cent stake in Ionian held by its parent group, Commercial Bank, would be sold in a tender offer through the Athens stock exchange. The disposal is expected to be completed this summer. The proceeds from the sale would be used to strengthen Commercial's balance sheet rather than allocated to the budget.

The front-runner to acquire Ionian is Alpha Credit Bank, the biggest private Greek bank. Economy ministry officials said preference would be given to a bidder willing to keep all Ionian's staff. Ionian, the third-largest Greek state-controlled bank, has a staff of 3,000 and a market share of about 7 per cent. **Kerin Hope, Athens**

NEO-NAZI GROUPS

Sweden seeks joint action

The Swedish government has announced plans to set up an international task force to combat the rise of neo-Nazi groups and to curb the spread of extreme rightwing propaganda. Foreign ministry officials held talks yesterday with delegations from the US and Britain aimed at agreeing a joint strategy for such a task force at a conference in Stockholm.

"We hope it could be up and running before the autumn," a government spokesman said. If successful, membership of the task force could be widened to include Germany, the Netherlands and Baltic States. **Tim Burt, Stockholm**

Dutch business calls for reform to go on

By Gordon Cramb in Amsterdam

Dutch business yesterday urged the next government to carry through market reforms initiated in the past four years, after Wednesday's general election produced a shift to the left.

Hans Blankert, chairman of the main employers' federation, said a new coalition had to "continue with renewal" or face problems when the economic cycle next turned down.

That would erode the improvements in employment and state finances achieved under the outgoing coalition of Wim Kok, prime minister, which had drawn international acclaim.

In the election, Mr Kok's social democratic PvdA reinforced its position as the largest single party. He will spend the coming weeks seeking agreement on a new programme with his existing partners, the free-market VVD and the centre-left D66, which has acted as a buffer between the two main partners of the left-right coalition.

The VVD had its best electoral outcome ever but D66 was squeezed, as many of its voters deserted to the two bigger parties or bolstered the leftwing opposition.

Mr Kok described Wednesday's result as "an expression of a wish for a stronger social policy". Gerrit Zalm, VVD finance minister, fired a warning shot, saying: "We will not be brought in just to implement the PvdA manifesto."

This signals a difficult period ahead in forming a new cabinet, even if D66 overcomes its doubts that a reduced parliamentary presence justifies remaining in government. Els Borst, D66 leader and health minister, will struggle to land the three cabinet slots she says are needed for her party to make a significant contribution to a new coalition.

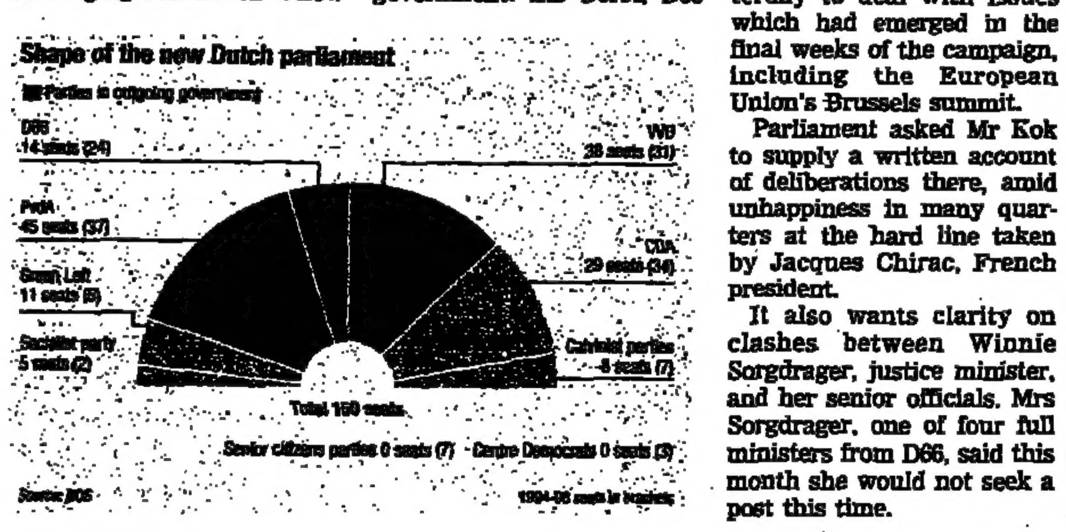
The record of the term just elapsed includes the creation of some 500,000 jobs, with unemployment running at half German or French levels. Consumers have welcomed deregulation of shop opening hours and an assault on cartels which had kept prices high.

Mr Kok, 59, is a former trade union leader who has assumed the mantle of national father figure. Even among VVD voters his personal popularity is higher than that of their own leader, the prickly Eurosceptic Frits Bolkestein.

In an unusual post-election session, the outgoing parliament reconvened yesterday to deal with issues which had emerged in the final weeks of the campaign, including the European Union's Brussels summit.

Parliament asked Mr Kok to supply a written account of deliberations there, amid unhappiness in many quarters at the hard line taken by Jacques Chirac, French president.

It also wants clarity on clashes between Winnie Sorgdrager, justice minister, and her senior officials. Mrs Sorgdrager, one of four full ministers from D66, said this month she would not seek a post this time.



'Not-so-bad' factor leaves Hungarian voters unmoved

The economy is buoyant, but the government still cannot take the electorate's support for granted, writes Kester Eddy

In the last four years Hungary's fortunes have been transformed. The country is firmly on its way into the Nato military alliance, negotiations to join the European Union are formally under way, and its economic prospects are stronger than at any time since the collapse of communism.

As Hungarians go to the polls on Sunday in the first round of national elections, however, Gyula Horn, Hungary's Socialist prime minister, still cannot take a second victory for granted.

The pain of the tough austerity measures launched in 1995, which laid the foundations for the country's economic recovery, has been unevenly divided, both regionally and among the population.

More foreign direct investment has flowed into Hungary than into any other country in central and east Europe, but much of it has been directed towards the west of the country and towards the capital Budapest. The poorer, more rural eastern regions have been left with unemployment levels far above the national average.

At the same time pensioners, who comprise almost 30 per cent of the population of 10.2m, have been hardest hit by the tough reforms, with the real value of pensions falling by about a quarter between 1995 and 1996. Real wages fell by about 15 per cent in the same period.

The economy is growing robustly again, and real wages rose last year by about 5 per cent, but Mr Horn has had a hard time establishing a "feel-good" factor in time for the election. It is more of a "not-so-bad" factor, although polls do show a rise in optimism, especially among the educated and under-35s.

The former communist Socialists and the liberal Free Democrats, the junior partner in the coalition government, claim the last four years have established the basis for sustainable growth in Hungary.

The country has never been in such a position, says Mr Horn, with gross domestic product up 4.4 per cent last year, exports of machinery up 50 per cent, and a current account deficit easily covered by foreign direct investment.

About 75 per cent of the economy, including most of the banking sector, is privatised, says the government, meaning that the bulk of economic restructuring is over. Unemployment is below 10 per cent and falling, and although inflation is proving stubbornly difficult to curb it has fallen gradually to 16 per cent. The Budapest stock exchange has shown the strongest growth in the region.

So, are Hungarians happy?

Not at all, says Viktor Orban, the fast-talking young lawyer and leader of the Fidesz-Hungarian Civic party, which some polls have put neck-and-neck with the Socialists at about 33 per cent of decided voters' support.

The Fidesz leader heads the personal popularity polls and under his vigorous – former adherents say autocratic – leadership the party has swung to, and revived, the right.

Detractors say the party's change of stance reveals a lack of principles. "If I had to sell nuclear power plants, I'd hire Orban," says Laszlo Csaba, a leading economist.

Mr Orban argues that only a small segment of society has benefited from the economic turnaround, that corruption is rampant in high government, and that public safety is endangered on the streets by a crime wave.

He cites a series of hand grenade or bomb attacks over the past two years, including three recent political bombings.

The coalition has introduced wild west capitalism, Mr Orban maintains. At the same time, he says the country needs even faster annual growth of around 7 per cent and lower taxes to reduce the underground economy.

The coalition parties reply that the Fidesz figures simply do not add up, and that its policies would plunge the country once again into a debt spiral.

The international community seems fairly relaxed, whatever the outcome of the election. "The EU requirements mean that any government is boxed in, if it wishes to join," says a western diplomat. And all the main parties agreed on integration into Nato and the EU.

At the beginning of the year the Socialists looked set to sweep back to power in the election, which begins on Sunday and is followed by a second round in two weeks. But their lead has been narrowing under pressure from the rejuvenated centre-right led by Fidesz.

Szonda-Ipsos, a leading pollster, maintains the Socialists have a lead of 10 percentage points with about 34 per cent of support, but it admits the race is closer than it appeared at the turn of the year.

A large number of voters are still undecided.

The election has failed to excite great enthusiasm. In a working class pub in Budapest's 1st district, Attila Kiss says: "I'm voting Fidesz on Sunday, probably. But I think the Socialists will win.

"I'm prepared for the present coalition to continue. I'm not happy, but I can live with it."

Hungary: make me happy

	Voting intentions among sure voters, latest poll (%)	Seats in parliament after 1994 election (%)
Hungarian Socialist Party	34.0	54.1
Fidesz – Hungarian Civic Party	23.0	5.2
Smallholders Party	18.0	6.7
Alliance of Free Democrats	10.0	17.9
Hungarian Democratic Forum	4.0	9.6
Workers Party	3.0	-
Hungarian Justice and Life Party	2.0	-
Christian Democratic People's Party	2.0	5.7
Hungarian Democratic People's Party	1.0	-
Other parties	2.0	0.6

Source: Szonda-Ipsos. Two-stage election procedure means percentage of votes does not translate directly into percentage of seats

Kiriyenko targets Russian state debt in push for 5% growth

By Chrystia Freeland in Moscow

Sergei Kiriyenko, Russia's new prime minister, yesterday vowed to slash the national debt and produce economic growth of a robust 5 per cent a year by 2001. His pledge comes at a time when continued instability in Asia and other international markets has unnerved investors, pushing up the price of Russian government borrowing and squeezing the country's once vibrant equity market.

Mr Kiriyenko, who was elevated to the prime minister's chair after a pitched political battle last month, promised that he and his team would act on President Boris Yeltsin's instruction to jump-start Russia's stalled economy.

At a meeting of the still incomplete cabinet, Mr Kiriyenko mapped out a budget plan until 2001 under which annual inflation would fall to 3.7-4.5 per cent and economic growth would hit 5 per cent.

To achieve this turnround Mr Kiriyenko said the new cabinet would focus on reducing the state's debt burden, which has become weightier as nervous markets have demanded higher yields, pushing the interest rate on government bonds up to about 30 per cent.

"It is precisely this cabinet of ministers who will have to take major decisions on macro-economic policy in accordance with the two restrictions set in the president's message – the budget deficit and the total government debt," he said.

"We have no alternative, the debts must be cut."

Vladimir Petrov, first deputy finance minister, predicted that debt servicing costs next year would eat up 4.3 per cent of Russia's gross domestic product and account for nearly a third of budgetary spending. However, he forecast that by 2001 debt servicing costs would drop to 3.5 per cent of GDP.

Mr Petrov said the Russian government, which is hoping to receive another tranche of its $9.2bn loan from the International Monetary Fund by next month, would stop borrowing from the IMF in 2000.

Western economists have praised Mr Yeltsin's selection of Mr Kiriyenko and his youthful, streamlined cabinet, predicting it will be more committed to market reforms and better able to implement them than the previous government.

However, investors appear unconvinced. Wary of emerging markets in the wake of the Asian crisis and disappointed by the failure of the "dream team" of reformers Mr Yeltsin brought in to the cabinet last year, Russian markets have taken a sceptical view of the cabinet shake-up.

"We've gone full circle from a period last summer when every piece of bad news was ignored," Martin Diggle, a director at Brunswick Warburg, a Moscow-based brokerage, said.

"Now the market is choosing to ignore every piece of good news. Rather than giving the government the benefit of the doubt, and investing on the cabinet changes, people are looking for concrete results."

The RTS stock market index closed down 1.89 per cent yesterday, a 2.44 per cent fall since a week earlier.

Indonesian military plea to students

By Sander Thoenes in Jakarta

Gen Wiranto, Indonesia's armed forces commander in chief, yesterday pleaded with students to cease their violent agitation, as the rupiah hit a three-month low in response to continuing riots in Medan.

The central bank raised interest rates by four to 12 percentage points to help lift the rupiah back from its three-month low of Rp10,200 to the dollar to around Rp9,600. But this still left the currency 20 per cent down from its level against the dollar just two days ago.

A Jakarta money changer counts rupiah notes yesterday

High interest rates and the low rupiah are further hurting the battered economy, undoing most of the immediate positive impact from last week's release of $1bn in credits by the International Monetary Fund.

The Jakarta stock exchange was boosted somewhat yesterday after an earlier slump when traders bought shares also listed in New York, at depreciated rupiah prices, to sell them quickly for dollars in New York. Riots in Medan and violent protests in other main cities had scared off investors, who feared President Suharto might either compromise economic reforms or use the rupiah's decline as an argument for cracking down hard.

Mr Wiranto defied such expectations, announcing instead the military would gather demands from students and other groups and put forward its own proposals for political reforms in parliament.

"ABRI [the military] wants to prove that it does not want to keep the status quo," he said, "but the reforms must be gradual and constitutional."

Mr Wiranto's tone was much more moderate than his remarks before and during a visit on Wednesday to Medan, a trading port in northern Sumatra thrown into chaos by severe rioting over the last few days. He had blamed "criminals" for pushing student protests out of control and ordered police to keep protests on campus.

In practice some police have allowed peaceful protesters to march on the streets. Students at four campuses in Jakarta and one in Solo ignored his warnings and on some occasions pelted police with rocks yesterday.

President Suharto last weekend indicated he was willing to change election laws, allowing more than the three sanctioned parties to take part and introducing a district voting system. Such reforms would have been headline news a few months ago, but they are now dismissed as too little too late by students wanting Mr Suharto to step down.

The US State Department and Alexander Downer, Australia's foreign affairs minister, called on Indonesia to show maximum restraint in quelling protests and to protect the country's ethnic Chinese minority, victimised in the riots in Medan. Local newspapers in Medan counted six dead, including two killed by security forces and four burned to death, with over 100 wounded.

JAPANESE ECONOMY GROWING INVESTOR CONCERN ABOUT THE ECONOMY'S WEAKNESS AS GOVERNMENT ADDS TO DEMAND FOR BONDS

Tokyo assures markets as bond yields slip

By Gillian Tett in Tokyo

Japanese government officials yesterday rushed to try to reassure the financial markets after government bond yields plunged to another startling low amid new concern about the risk of deflation.

The yield on the benchmark seven-year contract, known as 182, fell from 1.4 per cent to touch 1.35 per cent, before finally closing at 1.36 per cent. The fall set an historic global low for bond yields. It also marks the second day of sharp decline, which has seen yields fall some nine basis points from the 1.435 per cent levels they closed at two trading days ago.

Officials at the ministry of international trade and industry yesterday insisted to the Japanese media that the decline was only "temporary." Koji Tanami, top bureaucrat at the finance ministry, denied the record low yields did not reflect a market panic about Japan.

"Just because long-term interest rates are falling, I don't agree with the view that that necessarily means the economic outlook is grim," Mr Tanami said.

But the recent slump in bond yields has provoked debate – and alarm – among government officials, particularly since until recently most economists believed it almost impossible for rates to fall as low as this in a mature western economy.

The record lows have left Eisuke Sakakibara, Japan's vice minister of finance for international affairs, warning recently that the bond market was now in a quasi "bubble" situation. "These [yields] are crazy levels... they imply that people think the economy will collapse," he recently said.

However, some traders deny that current prices are "crazy" – and some suspect yields could fall even further in the coming weeks. As Masuhisa Kobayashi of Merrill Lynch says: "Our central scenario is that yields fall to 1 per cent this summer, unless a complete 'Sell Japan' mentality develops."

Bond prices are rising for two reasons.

First is the growing investor concern about the weak state of the economy, and in particular the risk of deflation. A key factor behind yesterday's fall in bond yields, for example, was a comment from Yutaka Yamaguchi, deputy Bank of Japan governor, who hinted the bank may favour an interest rate cut. Speaking to politicians he said the "overall effect" from a cut in the discount rate might be "positive" for the economy.

In practice, there is little indication the bank plans to cut rates, which have been at record lows of 0.5 per cent for over two years. But Mr Yamaguchi's comment suggests a rate rise is unlikely soon. This, in turn, has convinced some Japanese investors, who own over 90 per cent of the Y250,000bn ($1,880bn) government bond market, that bonds are an attractive domestic instrument. Since last Tuesday, for example, city banks and life insurance companies have been raising their purchases.

Although bond yields look low, if inflation falls even lower their current returns may be better than from other instruments, such as equities. One fund manager at a leading Japanese asset management group yesterday said: "As long as yields do not fall below 1 per cent, I think Japanese government bonds are still good value."

The second factor driving the market is that the government – including Mr Sakakibara's own finance ministry – has been supporting prices by providing additional demand for bonds. (Prices and yields move in opposite directions.)

The Trust Fund Bureau in the finance ministry, which manages public pensions and the postal savings money, for example, has been buying bonds. This is partly because the postal savings deposits have surged by Y15,000bn – or 6 per cent – in the last year, and thus forced the Trust Fund Bureau to find new investment instruments. The Bank of Japan also recently raised its purchases.

As Stephen Apted, a general manager of Nikko Securities in Tokyo, says: "There is basically a huge weight of money now behind the market. I think it is going to stay well bid."

Japan's hidden army of unemployed takes to the streets

Michiyo Nakamoto on how the shock of dismissal is being borne by workers

Mariko Watanabe is not her real name – being identified as unemployed does not come easily to the Japanese. For two years the former secretary has drawn on her savings to maintain the lifestyle which she, like most Japanese of her generation, never believed would be threatened.

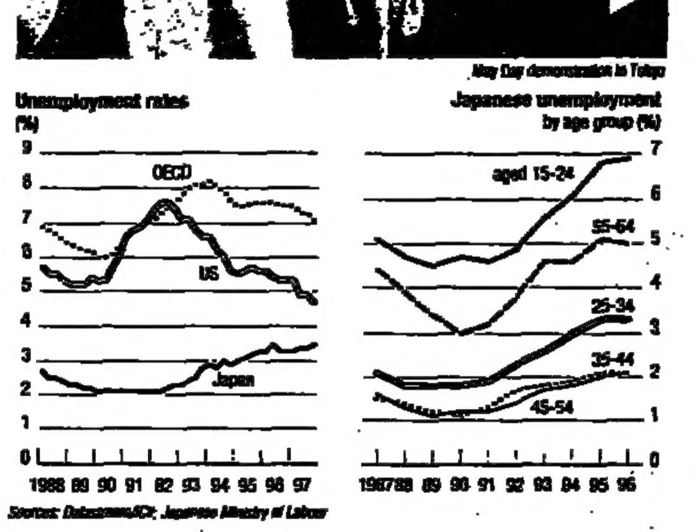
"I like wine, so I don't want to give that up, and even though I should probably move to a smaller apartment, at my age [50] it is difficult to lower your standard of living," she says.

Japan's labour system used to be hailed as a model for the west. Low unemployment and compliant workers were the envy of western employers. But as the country's economy continues to be mired in one of the longest slumps since the war, its much vaunted employment system is showing disturbing signs of strain.

Last week, as unemployment hit a record, hundreds of thousands of Japanese workers and the unemployed took their unease to the streets in the first May Day protest in seven years.

Japan: model unemployed

May Day demonstration in Tokyo



Sources: Datastream/ICV; Japanese Ministry of Labour

"I cannot accept the fact that I have been made redundant," says Hiroaki Yamada, 44, who lost his job as a kimono salesman in March. Mr Yamada has a wife and two young children to support.

Sadako Katsuhara, 50, was forced to leave her job with a financial information services company. Although she is determined to find a job soon, the job market is particularly harsh on women and on those over 40.

"I am very worried about the future," she says. "I have not been able to tell my parents that I am unemployed, for fear of causing them concern," she says.

In March, Japan's unemployment rate rose to a record 3.9 per cent and the ratio of job offers to applicants worsened further to 0.58, the worst since the second oil shock in 1979.

The consensus is that worse is to come, prompting fears that spreading unemployment could upset the social stability that has been a hallmark of Japan's post-war economic success.

"If the unemployment rate rises above 5 per cent, it will become a serious problem and something more drastic will have to be done..," warns Tadashi Hanami, Sophia University law professor and chairman of the Central Labour Standards Council, a ministry of labour advisory committee.

So far, the social impact has been limited. While crimes by the unemployed have nearly doubled from 3,474 in 1992 to 6,526 in 1996, the Japanese propensity to save has meant that many who find themselves jobless are able to support themselves even without welfare.

Young people are often able to find part-time work in new service industries such as convenience stores and video rental shops. "The reason why young people who are unemployed do not cause much trouble is because they are still able to maintain a certain standard of living," says Mr Hanami.

However, the situation could deteriorate significantly if the Japanese economy remains weak.

For one thing, Japanese unemployment benefits are provided for a maximum of 300 days. The longer the economic slump continues, the more people there will be who no longer receive welfare. And clearly there is a limit to the amount of savings even the Japanese can turn to.

Furthermore, unemployment has been concentrated in two age groups – the young and the old. In March, the unadjusted unemployment rate was 9.2 per cent in the 15-to-24-year-old age group and 5.1 per cent in the 55-to-64-year-old age group, compared with an overall average of 4.1 per cent.

While this is partly because more young people voluntarily quit their job in the hope of finding better employment, it also reflects a tendency among Japanese companies to stop hiring in a downturn, points out Ken Okamura, strategist at Dresdner Kleinwort Benson. "That creates serious problems because you have lots of people who have never had jobs and are shut out of the labour market."

Older people, meanwhile, face age restrictions. "No matter what skills or experience you have, anyone over 35 faces this barrier," says Ms Watanabe.

Furthermore, Japanese companies frown on specialisation so that most workers lack expertise that is readily transferable.

"I am too old to learn new skills," says Mr Yamada. "But I am prepared to do anything, drive a taxi, even a truck." Unfortunately for Mr Yamada, neither sector is thriving. And government job creation has failed to make up for the decline in older industries.

"The problem is that we've reached the limits of industrial policy and it's not clear what the new growth industries are," says Mr Okamura.

China accuses Britain of 'interference' in HK

By John Ridding in Hong Kong

China yesterday accused Britain of interfering in Hong Kong affairs, condemning planned meetings between British consular officials and candidates in the territory's forthcoming legislative elections.

"This action constitutes a direct interference in Hong Kong's affairs," the foreign ministry said in Beijing.

"It has aroused resentment of Hong Kong people."

The ministry said meetings with candidates should be stopped immediately, hinting at the possibility of repercussions in bilateral relations.

Sino-British ties have strengthened significantly since Hong Kong's smooth return to Chinese sovereignty last July.

Yesterday's statement by China marked a rare criticism of the UK and underlined the sensitivity of the forthcoming polls.

The British consulate reacted with surprise to China's stance. "We are not trying to interfere in any way in the internal affairs of the Special Administrative Region [Hong Kong], nor the election process," the consulate said.

"We regularly talk to a wide range of contacts, including prominent politicians. We are just stepping up our contacts in the run-up to the elections because we are taking a close interest."

A statement from the British consulate said it was standard international practice for diplomatic missions to "maintain contacts from all walks of life, including politicians".

It said such meetings had generally been welcomed.

"There is no question of the British consulate interfering in the internal affairs of China or the SAR," it said.

China's foreign ministry office in the territory said the elections to the Legislative Council were "entirely an internal matter within the high degree of autonomy enjoyed by the SAR".

The foreign ministry said it was inappropriate for foreign consular offices to get involved "in whatever way" in matters concerning the elections.

The elections are particularly sensitive because of criticism from pro-democracy groups concerning the rules for the poll.

Only 20 of the 60 seats will be open to the territory's entire electorate, with the balance of seats chosen by a committee and functional constituencies.

The franchise for the functional constituencies, professional and social bodies, has been cut sharply since the previous 1995 elections, the last to be held under British sovereignty.

Hanoi bank chief gets go-ahead

By Jonathan Birchall in Hanoi

Vietnam's National Assembly has, as expected, confirmed the appointment of the country's first deputy prime minister, Nguyen Tan Dung, 49, as governor of the central State Bank, in a move the foreign financial community hopes will lead to new reforms of Vietnam's troubled banking system.

As deputy prime minister, Mr Dung already holds overall responsibility for the economy, but he has no formal banking experience.

Phan Van Khai, the prime minister, suggested the new governor's established political credentials could be more useful than banking expertise in the task ahead. "There must be someone with enough power to bring about effective reforms and avoid the risks that can spark collapses," he said.

Coincidentally, the agenda facing the new governor was laid out by a new International Monetary Fund country-report on Vietnam, made available in Hanoi yesterday. The report repeated recent warnings from the World Bank that Vietnam's banking system remained weighed down by debt and vulnerable to an economic slowdown.

Its recommendations included a call to restructure problem banks, to establish more effective banking supervision and to develop the money markets.

The report also called for an overhaul of the four state-owned commercial banks which control 75 per cent of all credit in Vietnam.

Dung: bank reform hopes

"The first steps are the completion of audits and implementation of restructuring plans to address recapitalisation; independence of bank managers from political pressure; the possible break-up of each bank into smaller and more viable entities; and partial or full privatisation."

Mr Dung has already said he will merge or close small private or "joint-stock" banks with debt problems, a move which could provoke resistance from politically powerful shareholders. He has also pledged to protect bank managers from pressure by local officials to make loans.

The appointment has been broadly welcomed by foreign bankers in Hanoi, but concerns exist that Mr Dung's other extensive commitments could distract his attention. "It all depends on his priorities," said one foreign economist.

NEWS DIGEST

JAPANESE HOPES DASHED

Russia rules out Kurile islands concessions

Russia yesterday ruled out making concessions to Japan over the disputed Kuriles islands off its Pacific coast. A Kremlin spokesman, Sergei Yastrzhembsky, said Russia was in no state to relinquish the islands it seized at the end of the second world war. "By all political rules Russia is categorically forbidden to discuss and decide questions of territorial demarcation with Japan or any other country," Mr Yastrzhembsky said.

Mr Yastrzhembsky, who advises President Boris Yeltsin on foreign affairs, was speaking on a local radio station after the latest round of talks between Russia and Japan ended in Moscow without a breakthrough. His comments seemed to dash Japanese hopes for any progress on the long-standing dispute. After an informal meeting in Japan last month between Mr Yeltsin and the Japanese prime minister, Ryutaro Hashimoto, Tokyo had said Russia was prepared to move on the issue.

The dispute has hampered closer bilateral relations between the two. Japan, which claims the strategically important islands as its Northern territories, has withheld large-scale aid for Russia because of the dispute. **Carlotta Gall, Moscow**

MALAYSIAN TRADE SURPLUS

Downturn cuts into imports

Malaysia's trade surplus widened to M$3.72bn (US$1bn) in March, from M$2.5bn in February, as the economic downturn cut into import growth and the weaker ringgit translated into higher, foreign-currency export earnings. Imports grew 22.8 per cent to M$20.8bn in March, over the year-earlier period, while exports increased at a faster 31.2 per cent rate to M$24.5bn, the Statistics Department reported yesterday.

This year's cumulative trade balance amounted to a M$8.8bn surplus, compared with a surplus of M$2.0bn in the year-earlier period. Electrical and electronic products were Malaysia's largest export earner, followed by palm oil. The country's leading trading partners were the US, Japan and Singapore, accounting for more than half the trade in the first quarter. **Sheila McNulty, Kuala Lumpur**

NORTH-EAST CHINA

Province offers privatisation

The north-eastern Chinese province of Heilongjiang is planning to offer for sale about 1,000 small and medium sized state-owned enterprises to local and foreign investors in June, an official Chinese newspaper said.

The move provides further evidence of an acceleration in China's privatisation drive. The new push has come since Zhu Rongji was appointed premier in a session of the National People's Congress (parliament) in March. He has pledged that the state sector will emerge from its difficulties within three years.

Other provinces in the north east such as Liaoning and Jilin have embarked on similar sales programmes for state enterprises. More than 1,000 small and medium-ized companies have been put on the market in Shenyang, capital of Liaoning, over the last two months, municipal officials said.

The official Workers Daily said the Heilongjiang sale was to be open to any local or foreign company with the ability to reinvigorate the enterprises that they buy or acquire a stake in. **James Kynge, Beijing**

Netanyahu studies a tricky hand

The Israeli prime minister has strengthened his cards. Now he has to decide whether to join Washington's game

By Judy Dempsey in Jerusalem

Sunday's meeting of the Israeli cabinet could be the most important since it came to power nearly two years ago.

Benjamin Netanyahu, Israeli prime minister, will have to use all his skills at persuading, cajoling or fudging if he believes it is in Israel's interests to accept a US plan discussed this week in London by Madeleine Albright, US secretary of state.

Dennis Ross, the US Mideast envoy, was due back in the region last night to rally support for the US plan, which has been made more than attractive to Mr Netanyahu.

It has lowered Palestinian expectations of the amount of land it might get back in a second Israeli troop pull-back from the West Bank from 30 to 13 per cent.

It will push forward final status talks which will ultimately delineate Israel's borders. They will determine the future of the Jewish settlements and Jerusalem. Again, an acceleration of these talks was something Mr Netanyahu wanted all along.

And finally, the third and last troop pull-back will take place in parallel to the final status talks. This is also something Mr Netanyahu wanted: for Israel to hold as many cards as possible for the final status negotiations.

'You have to ask: Is Netanyahu using the nationalist card to procrastinate?'

So why then should his cabinet not accept the package Mrs Albright has drawn up, and send Mr Netanyahu off to Washington early next week?

Mr Netanyahu has repeatedly said his hands are tied by the nationalists and settlers. Apart from security concerns, they are the reason Israel cannot hand back even 9 per cent of land to the Palestinians in the second pull-back.

Certainly the cabinet has become more hawkish since the resignations of Dan Meridor, the finance minister, and David Levy, the foreign minister.

Because of this, Mr Netanyahu has claimed that discussion of a third Israeli troop withdrawal from the West Bank is impossible before the launch of the final status talks. This is despite the fact that Mr Netanyahu himself agreed in the January 1997 Hebron accord to complete all the pull-backs by mid-1998.

Yet if Mr Netanyahu believes his hands are tied by the nationalists and settlers, many moderate members of his Likud party and the opposition ask why he should knot them tighter by negotiating to bring into the government Moledet, the extreme and racist party which advocates the transfer of Israeli Arabs across the Jordan river.

Yesterday, the government said it had for the moment stopped negotiations. "You have to ask yourself: Is Netanyahu using the nationalist card to procrastinate?" said a western diplomat.

Mrs Albright said she believed Mr Netanyahu was in a strong enough position to sign up to the US proposals. After all, it is likely that Shas, the ultra-orthodox party in the coalition, the moderate Third Way Party and Yisrael Ba'Aliya, the Russian emigrants party would sign. This could give Mr Netanyahu a majority, however slender, in his 17 member cabinet. And in the Knesset, the opposition Labour Party would vote for the US plan.

Mr Netanyahu therefore appears to be in a strong enough position to call the bluff of the nationalist camp which has in the past threatened to topple his government.

But he remains reluctant to do this. He knows it will split the right wing which he has so carefully tried to bring under one umbrella in preparation for the next election.

He is reluctant to call its bluff for another reason. If he survives, he will no longer be able to use the nationalist card as a stalling tactic.

Netanyahu, left, in discussion yesterday with Uzi Landau, chairman of the Knesset foreign affairs and defence committee. Will his cabinet accept the package Mrs Albright has drawn up and send Mr Netanyahu off to peace talks in Washington next week? Reuters

BCCI may pay fresh dividend

By Jim Kelly, Accountancy Correspondent

The liquidators of the Bank of Credit and Commerce International (BCCI) – which collapsed seven years ago – have recommended that a second dividend be paid to worldwide creditors of the bank.

If this is confirmed by courts in Luxembourg, where the bank was registered, creditors will receive a dividend of 18.4 per cent of what they are owed, by June 30. This would bring the total dividend paid to 42.9 per cent, well above estimates made as recently as last year.

When the bank failed it was found to have liabilities in excess of $10bn and immediate action was taken to secure what assets remained in branches in more than 100 countries. It was the biggest ever global liquidation.

The second dividend represents a payment approaching $2bn and is about 7 per cent higher than forecasts made at the end of last year. "This is really good news and much better than expected," said one official connected to the case in London.

The bank was closed by regulators in 1991 after the discovery of the biggest fraud in banking history. Initial expectations among creditors were for a total dividend of between 10 and 15 per cent.

A third dividend is expected, and further income could flow from court actions, including one against the Bank of England for allegedly failing to regulate BCCI properly. The liquidators at accountants Deloitte & Touche are also seeking damages from at auditors Price Waterhouse.

Creditors will welcome the speed of the payment as the liquidators have come under pressure to justify the time and expense of their operations. Last year a Luxembourg court cut fees paid to liquidators in the aftermath of the collapse by £1m. Accountants point to the remarkable level of recoveries so far and the prospect of a final total dividend approaching 50 per cent – an unthinkable result when the bank failed. The rescue of assets from the bank required the organisation of a global liquidation of unprecedented size and complexity.

Saudi telephone privatisation enters crucial stage

Robin Allen reports on the kingdom's biggest state enterprise sell-off

Nearly six weeks ahead of schedule, with a speed that has surprised many businessmen, Saudi Telecommunications Company has taken over the running of the kingdom's hugely profitable telephone services, marking the beginning of a crucial second stage of Saudi Arabia's largest privatisation programme in more than a decade.

The first stage started last December with the cabinet's decision to hive off all the operations of the Post & Telecommunications ministry, leaving only its regulatory role and the partly-subsidised postal services, which will be sold in a process starting next month.

The main thrust of the privatisation effort, however, is directed at the state's telephone services.

If Ali al-Jehani, PTT minister, can stick to his timetable, the second stage will culminate, in early 2000, with an initial public offering of the first tranche of 24m shares in STC, whose nominal capital, SR12bn ($3.2bn), represents, according to al-Jehani, the estimated book value of PTT assets.

"I stress 'book value'," said Mr al-Jehani, "because we think the market value is four or five times that. STC's total 1998 revenues could be some SR10bn-SR11bn."

The pricing of the first public share issue, however, as well as its scale and structure, will depend on STC's first financial statement which will not be ready until well into next year.

"Once that is done," Mr al-Jehani said, "we will go to the cabinet with our suggestions, and it will decide how STC should be floated."

According to Mr al-Jehani, both King Fahd, who is also the prime minister, and crown prince Abdullah who has recently chaired many cabinet meetings, are "very supportive about the privatisation and always have been, provided an idea is well presented".

Last week, in a speech to the Jeddah chamber of commerce, King Fahd repeated his belief that the private sector "has the potential" to take over many public sector facilities and services.

Mr al-Jehani described as "absolute guesswork" suggestions that the government would sell 80 per cent of STC's equity and retain 20 per cent. "I will do everything I can to ensure the state does not retain anything in the long run," he said.

"But at the beginning, the government will certainly retain a share. We cannot unload all the equity at one time; the market is not that big," an assessment disputed by many bankers who point, for a start, to the estimated $500bn of private sector capital, much of it abroad, belonging to fewer than 80,000 individuals from the ruling Al-Saud family downwards.

Among STC's priorities, Mr al-Jehani said, is the choice of financial advisers, "most likely a major international investment bank and another organisation like the World Bank" to complement the work so far done exclusively by Rana, a Riyadh investment advisory firm.

STC has to decide on the nominal share value, anything from SR50-SR500 for the initial public offering. "Only applications from Saudi citizens will be taken," said al-Jehani, "and while the thinking is to spread the net as wide as possible, we do not want to make it so outrageously cheap that we end up with millions of single-share owners."

According to one Saudi banker familiar with STC's flotation, the board is considering taking a leaf out of New Zealand's book by inviting in a strategic foreign equity partner for a specific period.

"It makes abundant sense for a foreign company's experience to be used this way. But given our officials' well-known paranoia over letting foreigners into 'strategic sectors' of the economy, it may be difficult for al-Jehani to sell this notion."

STC intends to impose a limit on the number of shares to be allocated to individuals in an attempt to prevent a few "strategic" investors from gaining a stranglehold on the new issue. "At least that is my personal preference," Mr al-Jehani said.

Bankers, however, caution against undue optimism on this score, in a market which lacks registered market-makers, where insider trading, although officially illegal, is the norm because the law is not enforced.

At least STC's restructuring, they say, will not be bedevilled by state subsidies and unpaid bills like the state power and electricity sectors, and the country's airline. In the power sector these two items cost nearly $2bn a year.

PTT subsidies, according to Mr al-Jehani, have been confined to the post office services and cost only SR200m a year. He declined to comment on the scale of unpaid bills, which economists say come to less than SR200m.

Many of the princes, estimated at about 5,000, and their families, as well as bankrupt state institutions are notorious for not paying their bills.

Two solutions have been suggested to overcome the problem of "delinquent" accounts. The first method, expressed last December by information minister Fouad al-Farsi, echoing cabinet sentiment, was: "All subscribers, without exception, will have to pay their bills regularly."

The second method, said to be Mr al-Jehani's preferred solution, is, simply: "Cut off their telephones."

ASIAN CRISIS GREENSPAN SEES INTERBANK LENDING AS ACHILLES HEEL OF INTERNATIONAL FINANCIAL SYSTEM

Fed chief warns over interbank lending

By Stephen Fidler in Washington

Alan Greenspan, US Federal Reserve chairman, yesterday described lending between international banks as "the Achilles' heel of the international financial system". He also suggested curbs on interbank lending could be one appropriate response to Asia's financial crisis.

In a speech prepared for a Chicago conference on bank structure and competition, Mr Greenspan said expectations borrowing banks in Asia would be bailed out by financial authorities had probably increased levels of cross border interbank lending.

"This would suggest resource misallocation. Accordingly it might be useful to consider ways in which some added discipline could be imposed on either debtor or creditor banks," he said. Capital requirements could be raised on borrowing banks by making the amount of capital banks were required to hold dependent not just on a bank's assets but also on the nature of its funding, he said.

If capital requirements were increased in response to excessive short-term funding by a bank, this would provide "a larger cushion for the sovereign guarantor in the event of a bank's failure. That is, it would shift more of the burden of the failure on to the private sector."

Alternatively the issue could be addressed by charging banks for the existence of a sovereign guarantee, "particularly in more vulnerable countries where that guarantee is more likely to be called upon and whose cost might deter some aberrant borrowing". Authorities could charge an explicit premium or could impose reserve requirements, paying low or no interest, on interbank liabilities.

Mr Greenspan also suggested lending banks could be asked to pay an increased capital charge. "Under the Basle capital accord, short-term claims on banks from any country carry only a 20 per cent risk weight." The higher cost to lending banks if the risk weighting were to be increased would presumably be passed on to borrowing banks, he said. This would encourage borrowing banks to reduce total borrowing or to shift borrowing to non-bank sources.

It might also encourage securitisation by lending banks of their short-term loans. In either case there would tend to be a reduction in interbank exposures, "a significant source of systemic risk". The risk of disrupting the interbank market - to the point where the costs of regulation would exceed the benefits of cutting interbank exposure - would have to be considered, he said.

Province in talks on anti-logging campaign

By Leyla Boulton in London and Edward Alden in Toronto

The government of British Columbia is holding talks with Greenpeace and forestry companies to try to end the pressure group's damaging campaign against the Canadian province's timber exports.

The environmentalist pressure group says the sustained felling of old forests in the province's central coast area threatens a rare and valuable rainforest.

As an increasing number of the industry's customers have started to seek alternative suppliers, Canadian officials and companies have begun seeking an accommodation with environmentalists.

Derek Thompson, the forests ministry official who is leading the discussions, said yesterday it would become clear if the talks would succeed in the next week.

The BC government, he said, had been trying to find a means to bring Greenpeace and other environmental groups into a two-year process for planning land use in the central coast region, which the groups have so far boycotted.

John Sauven, a Greenpeace forestry campaigner in London, said groups such as Greenpeace and Canada's Sierra Club were willing to join if the industry agreed to a two-year moratorium on clear-cutting of old-growth forests.

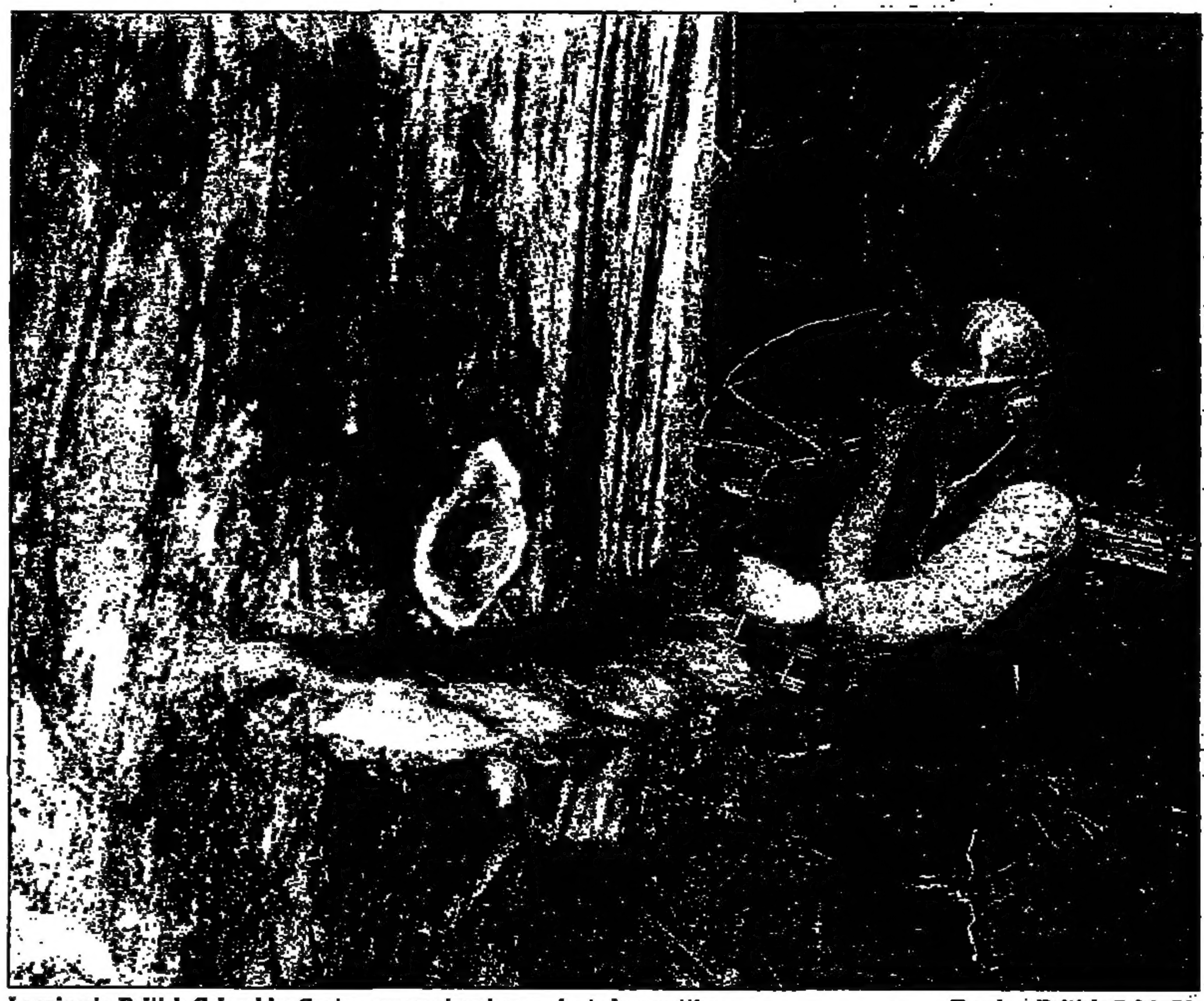
Last month, Tom Stephens, the head of Macmillan Bloedel, one of three big companies operating in the region, announced the company was considering ending clear-cutting in old forests.

"We are hearing more and more from our customers that they and their customers don't want wood from old growth clear-cuts," Mr Stephens said. "More and more we are asking ourselves if clear-cutting old growth is the best economic harvesting method."

Ric Slaco, chief forester for Interfor, another company, said it was "definitely not considering a moratorium on all areas". But he noted that the company had recently halted road-building in one area as a good faith gesture, and was willing to consider an end to clear-cut logging.

The companies have clearly been hurt by the boycott campaign. Mr Slaco said it posed a threat to the BC industry and had probably lost it some business.

In March, Greenpeace switched the focus of its campaign to the UK, the biggest European importer of timber such as cedar and hemlock from British Columbia, which is used to make garden furniture.



Logging in British Columbia: Customers are turning against clear-cutting — Tourism British Columbia

Customers which have announced plans to switch suppliers of timber or pulp over the past year include UK retailers of timber products, such as B&Q and Do It All, and, among chemical companies, Courtaulds of the UK and Union Carbide of the US.

The industry has previously rejected environmentalists' and customers' suggestions that it join the Forestry Stewardship Council – an international scheme set up to identify timber stocks produced in an environmentally sustainable manner. It has said the scheme gives too much power to environmentalists.

CONTRACTS & TENDERS

SALES ANNOUNCEMENT OF A COMPANY COMPLEX AT A FURTHER REDUCED PRICE

By order of the Ministry of Industry, Commerce and Crafts released on 21/04/1998, the Extraordinary Commissioner of the ELILARIO S.p.A. Company and of the L.H.S. LARIO HELICOPTER SERVICE S.r.l., both under extraordinary administration, is putting up for sale the above mentioned Company Complex, and in detail :

1) The Company Complex for sale includes helicopters, engine equipment, warehouse and content, the buyer is to take on all the employees of the two companies (28 pilots, 45 technical and administrative staff members and 1 director)
2) The following company-owned helicopters are to be included :
   ALOUETTE I-CRSR 1979
   A 109 I-PCLE 1980
   LAMA I-EPEP 1990
   LAMA I-ELPA 1991
   AB 412 I-AGSF 1991
   A 109 I-DVCM 1992
   LAMA I-LOGI 1992
   LAMA I-HCGR 1994
   A 109 I-AGSL 1994
   ALOUETTE I-ELTO 1994
   AB 412 I-CGCL 1994
   LAMA I-AVIF 1995
   A 109 I-CRBM 1996
   ECUREUIL I-AIOI 1996
   ECUREUIL I-HEDD 1996
3) The reduced base price is Lit.17,548,000,000=, as per sworn appraiser's estimate with reference to its solidity at 31/12/96, save adjustments subsequent to variation of assets and surplus.
4) Possible extended payments, not exceeding 36 months, will be subject to Prime-Rate ABI interest rates increased by one %, with fidejussor guarantees from major bank institutes.
5) Acquisition offers must comply to the conditions included in the document named *"Invito alla presentazione di offerta irrevocabile di acquisto"*, which can be obtained through the Company Headquarters in Colico (LC), Zona Industriale, Tel. +39/341/940126, fax +39/341/930536.
   The offer must necessarily be complete with :
   - a management plan presentation to allow evaluation on willingness and ability to guarantee, according to own procedures, continuity of business and production activities,
   - a sound commitment and guarantee to continue the business, preservation of employment for the current year and the coming two.
6) The offer must be consigned in a sealed envelope marked : "rif. : Bando per la vendita del complesso aziendale delle società Elilario s.p.a. in amministrazione straordinaria ed L.H.S. Lario Helicopter Service s.r.l. in amministrazione straordinaria", to Mr. Leonardo Soresi, Notary, Via Senato 22, Milan by 16th June 1998 by 4.00 p.m.
7) The offer must also include a banker's draft made payable to ELILARIO S.p.A. in amministrazione straordinaria, for 10% of the offering price as a caution deposit ; should the offer not qualify, the deposit amount will be returned, without interest, within 10 days of irrevocability of offers.
8) The transfer will be made prior to executions relating to art. 47, 5th comma of Law n. 428/90.
9) All expenses relating to the sale are to be born by the buyer.
10) This announcement solely represents an invitation to place an offer, and it is not a public offer as in art. 1336 of the Civil Code, nor a solicitation for public saving.

For further details and to obtain the required documentation, contact Mr. Gianmario Bettiga, Elilario S.p.A. in extraordinary administration - Tel +39/0341/940126 - Colico.

The Commissioner
(Giorgio Cumin)

TB 9/3/18/96-97

OFFICE BLOCK FOR THE DEPARTMENT OF TAXES AND ATTORNEY GENERAL'S CHAMBERS

Tenders are invited for the construction and completion of the following:-

Construction of an Office Building in the Government Enclave, Gaborone, Botswana. The height of the building varies; maximum three basements, ground floor and three upper floors and maximum three basements, ground floor and twelve upper floors. The building, with a full height central atrium, has an overall height of approximately sixty metres with an approximate depth of basements of twelve metres. The approximate floor area of building is 20,000m² plus 18,000m² of basement. Associated external works which, due to the confined nature of the site, will not be extensive.

Tender documents will be available for collection from 20th May 1998 on application to the Director, Department of Architecture and Building Services, Private Bag 0025, Gaborone, Botswana (DABS QS Section, Government Enclave, Gaborone). International tenderers wishing to collect tender documents will be required to make their own arrangements in this regard.

Tenders shall be delivered to reach the Director, Central Tender Board, Private Bag 0058, Gaborone or to Room 202, New Ministry of Finance and Development Planning Building. NOT LATER THAN 10.00 HOURS ON WEDNESDAY 8TH JULY 1998 when tenders will be opened in the presence of tenderers wishing to attend.

Notwithstanding anything in the foregoing, the Government of Botswana is not bound to accept the lowest or any tender nor incur any expense in the preparation thereof.

K.K. Semelamela.
Secretary, Central Tender Board

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Prices for Trading on 08.05.98 — Final Prices for Trading on 10.04.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.25	16.00	16.00	0.00
0100	14.88	15.69	15.69	0.00
0130	15.25	21.27	21.40	0.92
0200	15.52	22.01	22.14	0.92
0230	14.89	38.62	38.75	0.92
0300	14.89	45.18	45.31	0.92
0330	14.89	38.62	38.75	0.92
0400	14.89	22.01	22.14	0.92
0430	14.89	22.01	22.14	0.92
0500	14.89	22.01	22.14	0.92
0530	10.73	20.75	20.88	0.92
0600	10.71	28.69	28.82	0.92
0630	10.73	14.46	14.59	0.92
0700	17.58	15.13	15.13	0.00
0730	18.21	15.13	15.13	0.00
0800	21.85	15.13	15.13	0.00
0830	20.58	15.13	15.13	0.00
0900	22.65	15.13	15.13	0.00
0930	32.58	15.13	15.13	0.00
1000	35.44	27.54	27.67	0.92
1030	22.92	27.54	27.67	0.92
1100	25.57	27.54	27.67	0.92
1130	35.71	27.54	27.67	0.92
1200	35.71	27.54	27.67	0.92
1230	35.28	27.54	27.67	0.92
1300	32.15	25.00	25.13	0.92
1330	21.89	25.69	25.82	0.92
1400	21.74	24.34	24.47	0.92
1430	21.87	24.34	24.47	0.92
1500	27.21	24.34	24.47	0.92
1530	27.19	24.34	24.47	0.92
1600	18.63	20.75	20.88	0.92
1630	18.64	20.75	20.88	0.92
1700	18.64	20.75	20.88	0.92
1730	18.64	20.75	20.88	0.92
1800	27.02	20.75	20.88	0.92
1830	27.00	20.75	20.88	0.92
1900	27.00	20.75	20.88	0.92
1930	17.58	27.19	27.32	0.92
2000	10.76	27.19	27.32	0.92
2030	10.73	39.35	39.48	0.92
2100	10.76	39.35	39.48	0.92
2130	17.56	39.35	39.48	0.92
2200	31.55	27.19	27.32	0.92
2230	17.56	15.13	15.13	0.00
2300	16.88	14.46	14.59	0.92
2330	15.72	14.46	14.59	0.92
2400	13.81	15.12	15.12	0.00

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.65/MWh becomes 1.665p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of the electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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Brazilian telecoms sale still on track

By Geoff Dyer in Brasília

The Brazilian government plans to keep to its ambitious timetable to sell Telebrás, the state-controlled telecoms holding company, by the end of July, despite speculation the privatisation will suffer delays.

Mr Luiz Carlos Mendonça de Barros, new minister for communications, said in an interview that the 12 Telebrás operating companies would be sold in a series of auctions in the last two weeks of July.

He also indicated that the consortia bidding for the 12 companies would not have to include a telecoms operator, and payment would be staggered over a year, to ease the raising of finance for the privatisations.

The sale of Telebrás is expected to raise at least $20bn, making it one of the biggest privatisations ever attempted. The company has attracted many leading telecoms groups. The upbeat comments from Mr Mendonça de Barros followed some indications that process might be delayed.

While analysts are expecting some slippage, long delay could unnerve investors, given the importance of foreign investment for Brazil's economic stability. Mr Mendonça de Barros, former president of the National Development Bank (BNDES), said bids for the 12 companies would be entered on July 15, then be opened in an order to be decided.

It was important to complete the sales by the end of July, so the process did not get mixed up in campaigning for the October general elections. But he did not rule out delays from legal challenges.

The government was putting the finishing touches on a payment scheme to ease pressure on financing, by allowing buyers to pay part up-front, probably 40 per cent, then stagger the rest of the payments over a year.

Bankers have expressed concern that, given the sums involved, it could be hard to put together bridge loans for all the sales in such a short time.

Reform bill's defeat is setback

By Geoff Dyer

Brazil's efforts to rein in its large budget deficit have suffered a serious setback after the lower house of Congress rejected one of the central parts of a bill to reform the social security system.

The government fell just one vote short of defeating an opposition amendment to the bill, which removes the clause that establishes a minimum retirement age in Brazil for the first time.

The vote late on Wednesday was the first important test of political strength since the death last month of the government's two principal negotiators with Congress, Luiz Eduardo Magalhães, leader of the government in the lower house, and Sérgio Motta, who was communications minister.

The failure to defeat the opposition amendment suggests the deaths have significantly weakened the government's ability to organise its supporters in Congress.

Political analysts said it would now be very difficult for the government to get the pension reform bill approved before the October general elections.

The government surprised investors earlier this week by announcing another sharp rise in the budget deficit, which reached 6.5 per cent of gross domestic product in the 12 months to the end of March, in spite of record tax collection.

Economists believe the deficit is the biggest threat facing the economy. The São Paulo stock exchange fell 0.44 per cent yesterday morning on the news.

The reform of the pension system, which is expected to show a deficit of up to R$5bn (US$4.4bn) this year, is the main plank of the government's drive to reduce spending. However, the reform had to be rewritten after the lower house emasculated an earlier version.

At a hastily called news conference yesterday, President Fernando Henrique Cardoso played down the impact of the legislative defeat.

NEWS DIGEST

FINANCIAL REPORTING

New chief accountant appointed at SEC

The US Securities and Exchange Commission has appointed the vice-president of a Colorado-based high-tech company as its new chief accountant in time for him to play a critical role in the development of international accounting standards. After several months of interviewing candidates – including several leading academics and partners at the Big Six accountancy firms – Arthur Levitt, chairman of the SEC, yesterday announced the appointment of Lynn Turner.

His appointment, arguably the most powerful in world financial reporting, falls less than a year before the world's leading stock market regulators meet to decide whether they can endorse International Accounting Standards for cross-border listings. The SEC has an effective veto on IOSCO – the club of stock market regulators – and its view is expected to signal whether the new "financial passport" provided by international standards can be used on exchanges in the US, Canada and Tokyo where they are currently barred.
Jim Kelly, Accountancy Correspondent

US ECONOMY

Productivity rise slows

US workers' productivity, which has been rising sharply for the last two years raising hopes of a long-term shift in US economic performance, showed slower growth in the first three months of 1998, the Labour Department reported yesterday. Non-agricultural productivity rose at a seasonally adjusted annual rate of just 0.2 per cent in the three months to March, its weakest rate in more than a year, while earnings continued to rise at a firm pace.

The combination meant companies' labour costs grew rapidly in the first quarter – unit labour costs rose at a rate of 3.8 per cent, the same as in the last three months of last year. That sparked some concerns that inflationary pressures might be building in US labour markets and financial markets drifted lower in response. At noon the Dow Jones Industrial Average was 36 points lower at 9,018. **Gerard Baker, Washington**

VENEZUELAN GROWTH

Forecast revised down

Amid an already bleak economic outlook, the Venezuelan government has revised its 1998 economic growth forecast down and announced an increase in the budget deficit. Freddy Rojas Parra, finance minister, told the congressional finance committee that growth in gross domestic product this year would not exceed 0.8 per cent, down from an already revised forecast of 2 per cent. He said the central government's 1998 budget deficit would amount to 3.5 per cent of GDP, up from an earlier forecast 2.5 per cent.

The public sector's consolidated budget deficit, including public institutions and enterprises, would total 4.36 per cent. Earlier this year, the government pledged to reduce spending by an initial $1.4bn and an extra $330m, while the state oil company, PDVSA, cut its costs and spending by $1.8bn.
Raymond Colitt, Caracas

MILLENNIUM BOMB

Warning over reform bill

US tax collectors yesterday warned Congress that current attempts to overhaul the troubled Internal Revenue Service (IRS) would make it "virtually impossible" to solve the millennium computer "bomb". Charles Rossotti, IRS commissioner, said the Senate's reform bill created "a genuine risk of a catastrophic failure of the nation's tax collection system in the year 2000". He told a hearing of the House oversight subcommittee that the bill – which senators were expected to vote through yesterday – would require substantial changes to IRS computers over the next two years.

The IRS is spending $1bn on updating its computer systems to deal with the millennium bomb. The problem will affect computers that use a two-digit dating system, making them unable to distinguish between dates at the turn of the century. The US Treasury expects to spend around $1.43bn, mostly this year, to deal with its year-2000 problems, the committee heard yesterday. **Richard Wolffe, Washington**

INTERNET ADVERTISING

FTC to examine concerns

The US Federal Trade Commission is moving to address concerns about false advertising claims on the internet by updating its rules. While print and television advertising is already covered by strict disclosure rules that force businesses to add prominent disclaimers to adverts – for example, noting that the efficacy of diet pills is unproven – these rules make no mention of the electronic media.

"Consumers need to know the extent to which consumer protections that apply in the offline world also apply to the internet," said Jodie Bernstein, director of the FTC's bureau of consumer protection.

The commission has called for public comment on its proposal to apply existing consumer protection guidelines more clearly to CD-Roms, electronic mail and the internet. "The purpose of the proposal is to clarify how the FTC's rules and guidelines will apply to a range of online activities, from environmental marketing practices to credit practices," the commission said. **Louise Kehoe, San Francisco**

CUBAN RESTRUCTURING

UK financing facility

The Commonwealth Development Corporation (CDC), Britain's international development finance institution, announced yesterday it was making available a $30m medium-term equipment financing facility for businesses operating in Cuba.

A CDC statement said the facility was aimed at supporting the restructuring of Cuba's economy and would be available to finance the acquisition of transport and industrial equipment by commercially organised businesses in tourism, construction, mining and other hard currency sectors.

It is believed to be the first genuinely commercial foreign medium-term credit of its kind made available for the communist-ruled Caribbean island in recent years.
Pascal Fletcher, Havana

WINDOWS 98

Microsoft files new appeal

Microsoft has filed a new appeal against a court order forcing it to offer a "browser-less" version of its Windows operating system – a version with internet browser functions hidden.

In a court filing on Wednesday, the company appealed against use of the injunction to block sales of Windows 98, a new version of the operating system to be introduced next month. Windows 98 incorporates an internet browser. The original injunction and Microsoft's subsequent appeal applied to Windows 95, the current version of the programme, but there was speculation it might apply to Windows 98. The pre-emptive appeal is not expected to affect new legal actions under consideration by the Justice Department and several state attorneys general. **Louise Kehoe, San Francisco**
Editorial Comment, Page 19

WORLD TRADE

WTO panel report backs Canada plea on salmon ban

By Gwen Robinson in Sydney and Guy de Jonquières in London

A Canadian complaint that an Australian ban on salmon imports violates world trade rules has been upheld in a preliminary report by a World Trade Organisation disputes panel.

The case is the second important test of the WTO's sanitary and phyto-sanitary (SPS) rules, which took effect in 1995. These are designed to ensure that trade measures taken in the name of food safety and hygiene are scientifically justified and are not simply protectionist barriers.

The first such case, last year, was triggered by a US complaint against the European Union's ban on hormone-treated beef. The WTO ruled against the ban, on the grounds it had not been preceded by a proper scientific risk assessment.

Australia conducted and published three such assessments before imposing the ban. It claimed Canadian imports of fresh and frozen salmon threatened to introduce up to 20 diseases into domestic salmon stocks.

However, a confidential draft report by a WTO panel, sent to the two governments in the dispute, questions the ban's scientific basis. It also finds that the measure breaches SPS rules, because it is inconsistent with Australia's approach to other fish imports.

The panel has still to confirm its preliminary findings in a final report, but it is thought unlikely that they will be radically changed. The losing party may then ask the WTO's appellate body to review the panel decision.

Officials from the European Union, the US and Canada said that if the panel's findings were upheld, they could pave the way for further WTO challenges to Australia's scientific methods for imposing quarantine bans on food imports.

Australia is involved in similar disputes with countries including New Zealand, Denmark, Canada and the US. The disputes concern food imports such as apples, cooked chicken and pig meat. None of these disputes has yet been taken to the WTO.

The Australian government yesterday rejected criticism of its quarantine system and said it would "strongly" defend the scientific basis of its risk-assessment process.

Tim Fisher, Australia's deputy prime minister and trade minister, said the report's "complex findings" were still being analysed. A decision to appeal must await the outcome of the government's evaluation.

However, Mr Fisher stressed that the WTO panel did not dispute Australia's right to adopt scientifically based quarantine measures, "measures appropriate to our own domestic circumstances and which reflect our relative freedom from pests and diseases".

"Nor did the panel recommend the removal of our animal health quarantine measures applying to fresh chilled and frozen salmon," he said.

Australia has 60 days to appeal over the panel's findings. If the findings are upheld, Australia will then have to decide whether to lift the Canadian salmon ban, supply additional scientific evidence to justify it, or face WTO-authorised trade retaliation by Canada.

A WTO disputes panel is due to report soon on a third case involving SPS rules. It arises from a US complaint against Japan's procedures for inspecting imported fruit.

US ready for food subsidy battle

By Nancy Dunne in Washington and Michael Smith in Brussels

The US yesterday announced an action plan to subsidise commodity exports to overcome "unfair trade barriers" to US sales.

The US move was viewed sceptically in the European Union, which the US has long urged to cut export subsidies for farmers.

With world wheat prices at a four-year low and maize prices at a five-year low, Dan Glickman, US agriculture secretary, told the Senate agricultural committee that US farmers had been hard hit by a drop in demand caused by the Asia crisis.

Mr Glickman proposed using the US Export Enhancement Program to subsidise farm products. "I intend to be using EEP to indemnify US exporters from lost sales due to specific injurious trade barriers," he said.

The US would subsidise poultry sales in the Middle East to allow US farmers to compete with EU exports. This would also punish the EU in a dispute over poultry sanitation practices.

"We intend to send a clear message: erect unfair trade barriers, you have to expend consequences," Mr Glickman said. The European Commission, the EU's executive, said it hoped the US would show the restraint that "it has been urging on us. For most commodities we have not taken up all our export quotas under the WTO. When we do have a subsidy it tends to be much lower than we are able to apply."

The Commission is urging member states to reform the common agricultural policy which would reduce export subsidies further.

The US has indicated the reforms do not go far enough and is likely to push for further reduction of export subsidies in the next round of farm trade talks due to start under the WTO next year.

Mr Glickman said he also expected to lift the US annual cap of 118,000 tonnes on its "dairy incentive programme" to clear the way for the sale of about $50m more dairy products. Most of the exports will go to Mexico and the Caribbean.

The US has already made $5.9bn in export credit guarantees available this year, up from $3bn at the same time last year. About $2.5bn went to Asia since the currency crisis began.

Mr Glickman said the US had been criticised for using the programme. "Some folks in Australia have called us 'avaricious looters' for going into these markets essentially using (export credits) to take markets away from them. We believe we are fully compliant with US and world trade laws," he said.

While several agriculture committee members complained of EU farm subsidies – which last year cost about $6bn, others said the solution was to reduce all subsidies in new farm negotiations under the WTO.

Senator Max Baucus said the EU was apparently going "to do virtually anything to ship subsidised wheat to the US or anywhere to make money, regardless of whether it violates the spirit of the WTO. It explains in part why American farmers are so frustrated."

China protests at US textile quota reduction

By John Ridding in Hong Kong and James Kynge in Beijing

Beijing reacted angrily yesterday to the US decision to reduce Chinese textile quotas after allegations that Chinese companies had illegally transhipped goods through Hong Kong.

The row, which comes as China and the US prepare for a summit meeting next month, underlines continued strains in trading relations. China's ministry of foreign trade and economic co-operation said the US had acted to reduce the textiles quota without clear evidence of Chinese infringement of regulations.

"The act of the US government wantonly violates the bilateral agreement on textile products and is absolutely unacceptable to the Chinese government," the ministry was quoted as saying by the official International Business Daily.

The US government said that $1.7m in Chinese-made goods were shipped illegally through Hong Kong to avoid quotas. The US-China textile pact allows Washington to reduce quotas by three times the amount of suspected transhipments, leading to a cut of about $5m.

A Chinese trade official said the transhipments were carried out by Hong Kong traders outside Beijing's jurisdiction. The Hong Kong government described the issue as a bilateral matter between the US and mainland China, but added it was determined to combat illegal transhipments.

Textiles are a particularly sensitive area as they concern one of the weakest sectors of China's slowing economy. The industry faces a sharp loss of competitiveness in the wake of the wave of devaluations which have swept south-east Asia over the past year, lowering the costs of rival producers.

The issue has been at the centre of previous disputes between Hong Kong and the US. In 1996, the Hong Kong government launched a crackdown on illegal textiles exports under pressure from Washington and tougher US regulations. These included additional documentation on a number of imported textiles products.

In addition to the textiles dispute, Beijing and Washington have been at odds over direct selling – or pyramid selling – schemes in China. Beijing last month banned direct selling, hitting the Chinese operations of US companies such as Amway, Avon, Mary Kay and others. US officials asked China to review the ban, which they said discriminated against legitimate operations of US companies.

Last month the US placed Hong Kong on its intellectual property rights watch list, citing concerns over compact disc and video piracy.

Brussels defends export subsidies

By Nancy Dunne in Washington and Frances Williams in Geneva

The European Union yesterday defended five European countries which the US has accused of using prohibited tax subsidies to help exports.

The US has requested consultations with Belgium, France, Greece, Ireland and the Netherlands, the first step in trying to settle a dispute through the World Trade Organisation. US trade representative Charlene Barshefsky said the countries used practices which were in "clear violation" of WTO rules.

But EU officials said yesterday they believed the measures were compatible with WTO rules, and implied that the US move was in retaliation for an earlier case filed against Washington by the EU on US foreign sales corporations (FSCs).

FSCs – usually foreign subsidiaries that carry out export sales on behalf of US parents – receive tax breaks estimated at $2bn a year, according to Brussels, which argues that the tax subsidy breaches WTO rules prohibiting export subsidies conditional on export performance.

The EU is currently deciding whether or not to push its case to a WTO panel after three rounds of bilateral consultations with the US have failed to produce results.

The USTR complained about a French law that gives tax deductions for start-up expenses of foreign operations as long as more than half the revenues came from sale of products manufactured by the French parent corporation. It also complained about a Dutch law that allows special "export reserves" for small- and medium-sized companies.

In Greece, exporters are allowed tax deductions based on the amount of their exports, the agency said. It also cited an Irish law that allows tax relief for special export trading houses.

NEWS DIGEST

SOFTWARE PIRACY IN SOUTH-EAST ASIA

Crackdown could bring tax and jobs bonanza

South-east Asian countries could create thousands of jobs and generate hundreds of millions of dollars in tax revenues by cracking down on software piracy, according to an industry study released yesterday. The study estimated that 84 per cent of the software used in south-east Asia is pirated.

The Business Software Alliance, a Washington-based industry lobby, said its report was the first broad study of the software market in south-east Asia. If piracy was cut to 27 per cent – the level in the US – by 2001, the industry could grow enough to employ 22,699 people and generate $595m in tax revenue. The industry now employs about 16,000 across Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. An estimated $595m of pirated software was sold in south-east Asia alone in 1996, the report said. In Malaysia, a nation that sees itself as a future Silicon Valley of Asia, 80 per cent of the personal computer business software installed in 1996 was illegally copied. The figure has decreased slightly since the Malaysian government tightened enforcement and made laws more stringent two years ago, said Robert Holleyman, president of the alliance. **AP, Kuala Lumpur**

AIRLINE COMPETITION

JAL to match US discounts

Japan Airlines (JAL) said yesterday it would match discounts of up to 50 per cent announced this week by several US carriers for flights from a number of US cities to Tokyo, Kansai and Nagoya. The operators, which include Northwest Airlines and United Airlines, are offering the reduced fares for a limited time – mostly up to July 24 – and various conditions apply. The discounts are limited to dollar-priced tickets for journeys starting in the US. The price cuts are seen as an attempt to grab market share at a time when competition on flights to and from Japan is set to increase as a result of the recent US-Japan air accord. It is also a response to the growing weakness of the yen, which means that fares from Japan are now relatively good value in dollar terms.

The US carriers are also trying to promote Japan and other Asian countries as cheaper holiday destinations in the wake of the Asian currency crisis. **Bethan Hutton, Tokyo**

DEVELOPING COUNTRIES' SUMMIT

Leaders to discuss Asia fallout

Leaders of 15 developing countries meet on Monday for a summit that will focus on fallout from the currency and market turmoil in Asia. The three-day meeting will centre on a plan to boost business co-operation between the countries.

The summit leaders will also discuss the implications of World Trade Organisation policies, free trade zones in the Americas and talks on a trade agreement between the European Union and the African, Caribbean and Pacific countries.

"There are negative social and economic repercussions for the crisis in the exchange market and our nations should (work to) avoid them," said Munir Zahran, Egypt's representative to the talks. Officials in some developing nations have blamed currency traders seeking to reap large profits for some of recent economic instability in Asia. The G15 was formed in 1989 to promote economic co-operation between Egypt, Argentina, Algeria, Brazil, Chile, Kenya, Jamaica, Nigeria, Zimbabwe, Senegal, India, Indonesia, Malaysia, Mexico and Venezuela. **AP, Cairo**

ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10678
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

EASTVAAL GOLD HOLDINGS LIMITED — **Applicant**
(Reg. No. 91/04409/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1. a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;
2. the chairman of such meeting is authorised:
   - 2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   - 2.2 to determine the procedures to be followed at such meeting;
   - 2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   - 2.4 to appoint scrutineers for the purposes of the meeting; and
   - 2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;
3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   - 3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended);
   - 3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   - 3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   - 3.4 a copy of this Order of Court;
4. the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa; and
   - the Government Gazette;
5. the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   - 5.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   - 5.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document;
   - 5.3 any proxies which have been disallowed;
   - 5.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   - 5.5 all rulings made and directions given by the chairman at the meeting;
   - 5.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   - 5.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel. (011) 240-5000
Ref. Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10678
P/H No: 342

In the matter of the application of:

EASTVAAL GOLD HOLDINGS LIMITED — **Applicant**
(Reg. No. 91/04409/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of Eastvaal Gold Holdings Limited ("Eastvaal"), to be held on Thursday, 4 June 1998 at the later of 09:15 and the conclusion or adjournment of the General Meeting of Anglogold Limited convened to be held 45 minutes earlier on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Eastvaal and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Eastvaal in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Eastvaal held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 10 July 1998, in consideration for the issue on the Operative Date, which is expected to be 13 July 1998, of 2,3 Anglogold Shares for every 100 Eastvaal shares held.

Members of Eastvaal registered as such at the close of business on Tuesday, 2 June 1998 will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Eastvaal at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, England, during normal business hours from Wednesday, 6 May 1998.

Each member of Eastvaal may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Eastvaal) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (pink) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 09:15 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Eastvaal shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Eastvaal member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10677
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

SOUTHVAAL HOLDINGS LIMITED — **Applicant**
(Reg. No. 66/11806/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1. a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;
2. the chairman of such meeting is authorised:
   - 2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   - 2.2 to determine the procedures to be followed at such meeting;
   - 2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   - 2.4 to appoint scrutineers for the purposes of the meeting; and
   - 2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;
3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   - 3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended);
   - 3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   - 3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   - 3.4 a copy of this Order of Court;
4. the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Financial Times, an English medium daily newspaper circulating in London and other urban centres in the United Kingdom; and
   - the Government Gazette;
5. the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   - 5.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   - 5.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document;
   - 5.3 any proxies which have been disallowed;
   - 5.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   - 5.5 all rulings made and directions given by the chairman at the meeting;
   - 5.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   - 5.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref. Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10677
P/H No: 342

In the matter of the application of:

SOUTHVAAL HOLDINGS LIMITED — **Applicant**
(Reg. No. 66/11806/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of Southvaal Holdings Limited ("Southvaal"), to be held on Thursday, 4 June 1998 at the later of 10:00 and the conclusion or adjournment of the Scheme Meeting of Eastvaal Gold Holdings Limited convened to be held 45 minutes earlier on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Southvaal and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Southvaal in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Southvaal held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 26 June 1998, in consideration for the issue on the Operative Date, which is expected to be 29 June 1998, of 40,08 Anglogold Shares for every 100 Southvaal shares held.

Members of Southvaal registered as such at the close of business on Tuesday, 2 June 1998 will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Southvaal at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of the United Kingdom Registrar, Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, England during normal business hours from Wednesday, 6 May 1998.

Each member of Southvaal may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Southvaal) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (dark blue) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 10:00 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Southvaal shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Southvaal member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

anglogold

ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10673
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

FREE STATE CONSOLIDATED GOLD MINES LIMITED — **Applicant**
(Reg. No. 05/28210/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1 a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;

2 the chairman of such meeting is authorised:
   2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   2.2 to determine the procedures to be followed at such meeting;
   2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   2.4 to appoint scrutineers for the purposes of the meeting; and
   2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;

3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended);
   3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   3.4 a copy of this Order of Court;

4 the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Financial Times, an English medium daily newspaper circulating in London and other urban centres in the United Kingdom; and
   - the Government Gazette;

5. the Applicant publish for the benefit of holders of the Share Warrants to Bearer issued by the Applicant, by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "F" to the Notice of Motion:
   - in English in the Financial Times, United Kingdom;
   - in French in:
     - La Tribune, France;
     - L'Echo, Belgium;
     - Le Temps, Switzerland;
   - in German in:
     - Basler Zeitung, Switzerland;
     - Neue Zurcher Zeitung, Switzerland; and
   - in Flemish in De Financieel-Ekonomische Tijd, Belgium;

6. the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   6.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   6.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document;
   6.3 any proxies which have been disallowed;
   6.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   6.5 all rulings made and directions given by the chairman at the meeting;
   6.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   6.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel. (011) 240-5000
Ref: Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10673
P/H No: 342

In the matter of the application of:

FREE STATE CONSOLIDATED GOLD MINES LIMITED — **Applicant**
(Reg. No. 05/28210/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of Free State Consolidated Gold Mines Limited ("Freegold"), to be held on Thursday, 4 June 1998 at the later of 10:45 and the conclusion or adjournment of the Scheme Meeting of Southvaal Holdings Limited convened to be held 45 minutes earlier on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Freegold and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Freegold in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Freegold held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 26 June 1998, in consideration for the issue on the Operative Date, which is expected to be 29 June 1998, of 11,59 Anglogold Shares for every 100 Freegold shares held.

Members of Freegold registered as such at the close of business on Tuesday, 2 June 1998 and holders of Share Warrants to Bearer issued by Freegold, will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Freegold at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of the United Kingdom Registrar, Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS90 7NH, England during normal business hours from Wednesday, 6 May 1998.

Each member of Freegold may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Freegold) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (yellow) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 10:45 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Freegold shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

Holders of Share Warrants to Bearer issued by the Applicant who wish to attend in person or by proxy, or to vote, at the Scheme Meeting must comply with the requirements of the "Conditions of Issue" and the Applicant's Articles of Association insofar as they relate to such warrants. Details of such requirements are set out in the Notice to Holders of Share Warrants to Bearer, published by the Applicant contemporaneously with this Notice.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Freegold member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10674
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

HJ JOEL GOLD MINING COMPANY LIMITED — **Applicant**
(Reg. No. 85/01995/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1. a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;

2. the chairman of such meeting is authorised:
   2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   2.2 to determine the procedures to be followed at such meeting;
   2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   2.4 to appoint scrutineers for the purposes of the meeting; and
   2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;

3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended);
   3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   3.4 a copy of this Order of Court;

4. the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Financial Times, an English medium daily newspaper circulating in London and other urban centres in the United Kingdom; and
   - the Government Gazette;

5 the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   5.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   5.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document.
   5.3 any proxies which have been disallowed;
   5.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   5.5 all rulings made and directions given by the chairman at the meeting;
   5.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   5.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel. (011) 240-5000
Ref: Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10674
P/H No: 342

In the matter of the application of:

HJ JOEL GOLD MINING COMPANY LIMITED — **Applicant**
(Reg. No. 85/01995/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of HJ Joel Gold Mining Company Limited ("Joel"), to be held on Thursday, 4 June 1998 at the later of 11:30 and the conclusion or adjournment of the Scheme Meeting of Free State Consolidated Gold Mines Limited convened to be held 45 minutes earlier on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Joel and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Joel in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Joel held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 26 June 1998, in consideration for the issue on the Operative Date, which is expected to be 29 June 1998, of 1,33 Anglogold Shares for every 100 Joel shares held.

Members of Joel registered as such at the close of business on Tuesday, 2 June 1998 will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Joel at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of the United Kingdom Registrar, IRG plc, Balfour House, 390/398 High Road, Ilford, Essex, IG1 1NQ, England during normal business hours from Wednesday, 6 May 1998.

Each member of Joel may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Joel) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (beige) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 11:30 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Joel shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Joel member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

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ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10676
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

ELANDSRAND GOLD MINING COMPANY LIMITED — **Applicant**
(Reg No. 74/01477/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1. a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;
2. the chairman of such meeting is authorised:
   - 2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   - 2.2 to determine the procedures to be followed at such meeting;
   - 2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   - 2.4 to appoint scrutineers for the purposes of the meeting; and
   - 2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;
3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   - 3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No 61 of 1973 (as amended);
   - 3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   - 3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   - 3.4 a copy of this Order of Court;
4. the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Financial Times, an English medium daily newspaper circulating in London and other urban centres in the United Kingdom; and
   - the Government Gazette;
5. the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   - 5.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   - 5.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document;
   - 5.3 any proxies which have been disallowed;
   - 5.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   - 5.5 all rulings made and directions given by the chairman at the meeting;
   - 5.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   - 5.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10676
P/H No: 342

In the matter of the application of:

ELANDSRAND GOLD MINING COMPANY LIMITED — **Applicant**
(Reg. No.74/01477/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of Elandsrand Gold Mining Company Limited ("Elandsrand"), to be held on Thursday, 4 June 1998 at the later of 14:15 and the conclusion or adjournment of the Scheme Meeting of HJ Joel Gold Mining Company Limited convened to be held at 11:30 on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Elandsrand and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Elandsrand in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Elandsrand held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 26 June 1998, in consideration for the issue on the Operative Date, which is expected to be 29 June 1998, of 8.5 Anglogold Shares for every 100 Elandsrand shares held.

Members of Elandsrand registered as such at the close of business on Tuesday, 2 June 1998 will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Elandsrand at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of the United Kingdom Registrar, Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, England during normal business hours from Wednesday, 6 May 1998.

Each member of Elandsrand may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Elandsrand) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (green) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 14:15 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Elandsrand shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Elandsrand member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

ORDER OF COURT

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
Before the Honourable Mr Acting Justice D M Fine

Case No: 98/10675
P/H No: 342

Johannesburg, 28 April 1998

In the matter of the application of:

WESTERN DEEP LEVELS LIMITED — **Applicant**
(Reg. No. 57/02349/06)

Upon the motion of counsel for the Applicant and upon the reading of the Notice of Motion and other documents filed of record:

IT IS ORDERED THAT:

1. a meeting of members of the Applicant be held under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court or failing him any other independent attorney or advocate nominated by Webber Wentzel Bowens at a time to be stipulated by the chairman on Thursday, 4 June 1998 at 18th Floor, 55 Marshall Street, Johannesburg, for the purpose of considering and, if deemed fit, of agreeing, with or without modification, the Scheme of Arrangement which is included in Annex "C" to the Notice of Motion filed with the above Honourable Court ("the Notice of Motion") provided that the meeting shall not be entitled to agree to any modification of the said scheme which has the effect of diminishing the rights to accrue in terms thereof to members of Applicant;
2. the chairman of such meeting is authorised:
   - 2.1 to adjourn the same from time to time should any adjournment thereof prove necessary or desirable;
   - 2.2 to determine the procedures to be followed at such meeting;
   - 2.3 to determine the validity or otherwise of any proxy forms lodged for use at such meeting;
   - 2.4 to appoint scrutineers for the purposes of the meeting; and
   - 2.5 to accept the Proxy Forms handed to the chairman of the meeting by not later than 10 minutes before the meeting is due to commence;
3. a notice substantially in the form of Annex "E" to the Notice of Motion be posted by prepaid post by the Applicant not later than, Wednesday, 6 May 1998 to all members of Applicant registered as such on Friday, 24 April 1998 at their respective addresses recorded in the register of members of Applicant together with:
   - 3.1 a copy of an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended);
   - 3.2 a copy of the proposed Scheme of Arrangement substantially in the form included in Annex "C" to the Notice of Motion;
   - 3.3 a Proxy Form in the form of Annex "D" to the Notice of Motion; and
   - 3.4 a copy of this Order of Court;
4. the Applicant publish by not later than Sunday, 10 May 1998, a notice substantially in the form of Annex "E" to the Notice of Motion and a copy of this Order, in:
   - Business Day, an English medium daily newspaper circulating in Johannesburg and other urban centres in the Republic of South Africa;
   - Beeld, an Afrikaans medium daily newspaper circulating in Johannesburg;
   - Sunday Times, an English medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Rapport, an Afrikaans medium weekly newspaper circulating nationally in the Republic of South Africa;
   - Financial Times, an English medium daily newspaper circulating in London and other urban centres in the United Kingdom; and
   - the Government Gazette;
5. the chairman of the meeting referred to in paragraph 1 report the results thereof to this Honourable Court on Tuesday, 23 June 1998 giving details of:
   - 5.1 the number of Applicant's members present in person (including those represented) at the scheme meeting and the number of shares held by them;
   - 5.2 the number of Applicant's members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the numbers represented by the chairman in terms of proxies annexed to the scheme document;
   - 5.3 any proxies which have been disallowed;
   - 5.4 all resolutions passed at the meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions, indicating how many votes were cast by the chairman in terms of proxies which are annexed to the scheme document and how many votes were cast by the applicant;
   - 5.5 all rulings made and directions given by the chairman at the meeting;
   - 5.6 the relevant portions of documents and reports submitted or tabled at the meeting which bear on the merits or demerits of the scheme, including copies thereof; and
   - 5.7 the main points of any other proposals which were submitted to the meeting.

By Order of the Court

Registrar

Attorneys for Applicant
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

NOTICE OF SCHEME MEETING

IN THE HIGH COURT OF SOUTH AFRICA
(Witwatersrand Local Division)

Case No: 98/10675
P/H No: 342

In the matter of the application of:

WESTERN DEEP LEVELS LIMITED — **Applicant**
(Reg. No. 57/02349/06)

Notice is given in terms of an Order of Court dated Tuesday, 28 April 1998 in the above matter that the High Court of South Africa (Witwatersrand Local Division) has ordered a meeting of the members of Western Deep Levels Limited ("Western Deeps"), to be held on Thursday, 4 June 1998 at the later of 15:00 and the conclusion or adjournment of the Scheme Meeting of Elandsrand Gold Mining Company Limited convened to be held 45 minutes earlier on the same day and at the same venue at 18th Floor, 55 Marshall Street, Johannesburg, under the chairmanship of Charles Leonard Valkin, an attorney of this Honourable Court, or failing him any other attorney or advocate nominated by Webber Wentzel Bowens, for the purpose of considering and, if deemed fit, of approving, with or without modification, the Scheme of Arrangement ("the Scheme") proposed by Anglogold Limited ("Anglogold") between Western Deeps and its members, which Scheme will be submitted to such meeting, provided that the meeting will not be entitled to agree any modification to the said Scheme which has the effect of diminishing the rights accruing to members of Western Deeps in terms of that Scheme.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 4 of the Scheme, Anglogold will acquire all the shares in Western Deeps held by Scheme Participants in terms of the Scheme, who are registered as members on the Record Date, which is expected to be Friday, 26 June 1998, in consideration for the issue on the Operative Date, which is expected to be 29 June 1998, of 53 Anglogold Shares for every 100 Western Deeps shares held.

Members of Western Deeps registered as such at the close of business on Tuesday, 2 June 1998 will be entitled to attend and vote at the Scheme Meeting.

Copies of the Scheme and an Explanatory Statement in terms of Section 312 of the South African Companies Act, No. 61 of 1973 (as amended), explaining the Scheme, and a copy of the Order of Court convening the Scheme Meeting may be obtained on request from Western Deeps at 15th Floor, 55 Marshall Street, Johannesburg, 2001, or the registered office of Anglogold at 44 Main Street, Johannesburg, 2001, or the London office of Anglogold at 19 Charterhouse Street, London EC1N 6QP, or the office of the Transfer Secretaries, Consolidated Share Registrars Limited, at 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001, or the office of the United Kingdom Registrar, Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, England during normal business hours from Wednesday, 6 May 1998.

Each member of Western Deeps may attend and vote in person or by representative at the meeting and may appoint any other person (who need not be a member of Western Deeps) as a proxy to attend, speak and vote in such member's place. The required Proxy Form (orange) may be obtained on request from the addresses given above.

Each Proxy Form should be completed and signed in accordance with the instructions printed thereon and should be lodged at or posted to the abovementioned Transfer Secretaries in South Africa or the abovementioned United Kingdom Registrar, to be received not later than 15:00 local time on Tuesday, 2 June 1998, but if not so lodged or posted will still be valid if properly completed, signed and accompanied by proof of appropriate authority and handed to the Chairman of the meeting not later than 10 minutes before the meeting is due to commence. Where there are joint holders of Western Deeps shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present or represented at the Scheme Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he/she were the sole holder of such shares.

In terms of the Order of Court, the Chairman of the meeting will report the result of that meeting to the above Honourable Court on Tuesday, 23 June 1998. A copy of such report will be available on request (free of charge) to any Western Deeps member at the addresses given above at least one week before such report back date.

The Scheme is subject to certain conditions precedent stated in the Scheme, one of such conditions being its sanction by the above Honourable Court.

C L Valkin
Chairman of the Scheme Meeting

6 May 1998

Attorneys to the Scheme
Webber Wentzel Bowens
60 Main Street
Johannesburg, 2001
(PO Box 61771, Marshalltown, 2107)
Tel: (011) 240-5000
Ref: Mr J A K Jarvis

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EQUITY TRADING GOVERNMENT SAYS CHANGE WILL REMOVE OBSTACLES TO COMPANIES' COMPETITIVENESS

US-style rules invoked to ease share buy-backs

By David Wighton, Political Correspondent

Companies would be able to buy and sell up to 10 per cent of their shares much more easily under plans published by the government yesterday.

Ministers are proposing to introduce US-style rules which would allow companies to buy back shares without cancellation and then resell them.

Ian McCartney, the industry minister, said the move reflected the government's determination to remove obstacles that damage UK companies' competitiveness. "Allowing companies to hold repurchased shares in treasury – rather than having to cancel them – would give companies additional flexibility in managing their share capital," he said. The move could reduce companies' cost of capital, he added. But Mr McCartney said any relaxation of the law would have to be accompanied by appropriate safeguards.

The government suggests in a consultation document that there would have to be strengthened requirements for disclosure and shareholder approval.

It is also proposes that sales from treasury at price sensitive times be prohibited.

The move follows a long campaign by leading UK companies for a switch to the US-style system, which allows shares to be bought in and resold much more quickly.

A group of companies – including Reuters, Barclays and Guinness – wrote to Gordon Brown, the chancellor of the exchequer, in July urging the government to review the issue.

Some institutional investors have expressed concerns that reforms would give companies greater freedom to sell shares at the expense of existing investors.

The government suggests that existing investors could be given the right of first refusal over treasury shares, in the same way that they have pre-emption rights over newly-issued shares.

Although companies can currently repurchase shares which are then cancelled, many consider the mechanism too cumbersome for anything other than big reductions in equity capital.

A number of listed companies have told the government they would find it attractive to have the option of using their stockbroker to resell treasury shares in small lots through the market at the full market price.

"The option is considered to be a useful alternative, in appropriate market conditions, to approaches such as rights issues and placings of shares which typically involve the shares being offered at a discount to the market price," says the document.

It has also been argued that the speed and flexibility with which treasury shares could be resold would enable companies to carry a higher level of debt, which is cheaper than equity.

THE ECONOMY EXPORTERS AND EMPLOYERS WELCOME DECISION

Central bank leaves interest rates unchanged

By Our Economics Staff

The Bank of England, the UK central bank, left interest rates unchanged yesterday as a leading economic forecasting group warned that monetary policy should not be tightened in response to the falling pound.

The decision by the Bank's monetary policy committee to leave its repo rate at 7.25 per cent for the sixth successive month was welcomed by employers and exporters.

"While some sectors of the economy like business services are still expanding robustly, the plight of many exporters is set to put the brakes on the UK economy through 1998," said Kate Barker, chief economic adviser at the Confederation of British Industry, the employers' lobby. "Based on present data we believe the next move in interest rates should be downward."

Sterling headed sharply lower, breaking through key psychological barriers. It closed at DM2.9030, down 3.0 pfennigs on the day and its lowest since December 15.

Ian Campbell, director-general of the Institute of Export, welcomed the recent depreciation. "But export business is negotiated over a long period of time," he said. "So while this slight softening is welcome we would want to see a trend established over the coming months before we pop the champagne corks."

The London Business School, in its latest Economic Outlook, predicted that sterling would drop to DM2.75 by the end of the year. But interest rates need not rise again if the Bank was to hit the government's 2.5 per cent inflation target.

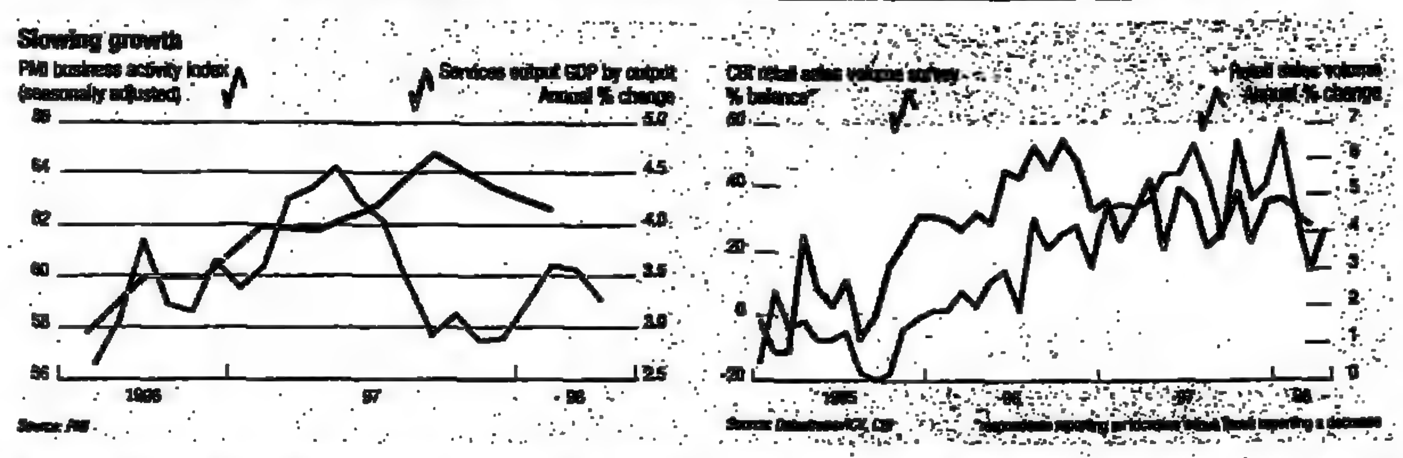
The LBS expects the economy to grow by 2.2 per cent this year and 1.7 per cent in 1999. But its forecast suggests there is a significant risk of recession this year.

● A survey of 500 service sector companies shows that activity remained strong last month. One in four experienced an increase in business during the month, twice the level reporting a fall, says the study, which is sponsored by the Chartered Institute of Purchasing and Supply. But the pace of growth slowed since March. The service sector accounts for more than 70 per cent of the UK economy.

● Consumers flocked back to the shops last month, causing retail sales to rebound from their poor performance in March, according to a CBI survey published yesterday. Nearly half of retailers said sales in April were higher than at the same time a year before.

Alastair Eperon, chairman of the CBI's distributive trades panel, said many retailers would be "relieved" by the revival in sales. "Compared with last year, however, the results were boosted by Easter trading. The underlying trend suggests that retail sales growth may be slowing down," Mr Eperon said.

Currencies, Page 29



Watchdog faults method of British Energy offering

By Andrew Taylor and David Wighton

Taxpayers could have raised considerably more from the privatisation of British Energy, the nuclear generator, if the government had sold the shares in stages, according to a report by the National Audit Office.

British Energy shares, which have risen by 180 per cent since they were put on sale in London at 203 pence in July 1996, rose a further 5½p to 575p yesterday. That made the generator the top-performing FTSE stock over the past 12 months.

The NAO report raised concerns that British Energy might not be able to meet all of its liabilities to fund decommissioning when nuclear power stations ended their life.

It said the government's Department of Trade and Industry should consider retaining its golden shares in British Energy beyond the first planned redemption date of 2006. Ownership would allow ministers to block the sale of profitable nuclear plant should the company face liquidity problems, said the NAO.

In a generally favourable report, it concluded that privatisation had created a robust company "with a high degree of assurance that British Energy would have the capacity to meet its nuclear liabilities".

David Davis, chairman of the House of Commons public accounts committee, said yesterday that the handling of the British Energy sale – "one of the most complicated privatisations ever" – had been "innovative in approach and successful in outcome."

But the NAO criticised the sale arrangements recommending that future privatisations "should start with a presumption that shares should be sold on a staged basis."

The report said BZW – now part of Credit Suisse First Boston – had advised government against retaining a 40 per cent stake in the nuclear generator. The minority stake could have been sold later, when the market had "reached a more balanced view of the value of the shares."

BZW said a phased sale could have been be unattractive to investing institutions and banks, could have raised concerns that the company might be renationalised and would have reduced the competitiveness of international bookbuilding arrangements.

Bankrupt ex-trader jailed over secret cash

By John Mason, Law Courts Correspondent

Terry Ramsden, the former City of London dealer who admitted fraudulent trading over the 1989 collapse of his equity trading company Glen International, has been jailed for 21 months for breaking his bankruptcy arrangements.

Mr Ramsden, declared bankrupt in March 1992, concealed income of more than £300,000 ($500,000). He deceived both the Official Receiver and his trustee in bankruptcy by concealing his interest in Grantor, a US trust fund from which he withdrew about £250,000.

The money, which he routed through his mother's bank account, was used to support himself and the extravagant lifestyle of his estranged wife, the court heard. Money from the Grantor Trust fund had been paid into this account and Mr Ramsden and his mother had often visited the bank to pick up the cash.

Mr Ramsden also failed to disclose £77,000 he won on a bet. He also failed to disclose his ownership of 3m shares in a Canadian company that were later sold to the trust fund. Mr Ramsden pleaded guilty to three offences of concealing assets that could have repaid creditors.

Mr Ramsden set up his Grantor Trust in 1982 when, through Glen International, he was becoming one of the UK's wealthiest traders. The business, which specialised in Japanese warrants, collapsed after the 1987 stock market crash.

Mr Ramsden's lawyer said the former trader admitted being foolish and breaking the law. But the collapse of his business and break-up of his marriage had led him to make misjudgements.

MOTOR INDUSTRY FRENCH GROUP'S MEGANE TOPPLES FORD AND GENERAL MOTORS MODELS

Renault leads car sales league

By Geetam Malkani in London

A Renault was Britain's top-selling car for the first time in April, according to yesterday's sales figures.

Renault also eased Rover out of its traditional third place in the market share table, with the French company taking 9.28 per cent of the market last month. Ford remained in first place, with the Vauxhall offshoot of General Motors second. Rover, a subsidiary of BMW, was fourth.

The Society of Motor Manufacturers and Traders said the Renault Mégane, with 9,361 sales or 5.46 per cent of the market, was the best selling model – toppling traditional market leaders Ford and Vauxhall.

Top-selling new cars in UK
April 1998

	Number registered
Renault Mégane	9,361
Ford Escort	[illegible]
Ford Fiesta	[illegible]
Vauxhall Vectra	7,527
Ford Mondeo	7,342
Vauxhall Astra	5,752
Peugeot 306	5,475
Fiat Punto	5,396
Vauxhall Corsa	5,183
Rover 200	4,474

Source: SMMT

The SMMT figures show that new car registrations were down last month for the first time since July, but were the third-biggest April figure on record, behind 1989 and 1997. The 6 per cent drop in registered vehicles – from 182,747 in April 1997 to 171,690 – was largely attributed to fewer selling days because of a late Easter public holiday. Last year it was in March.

New car sales are up 8.3 per cent compared with the same period last year, with Renault's range up 23.6 per cent – the French company's best performance.

The success of the Mégane has been attributed to competitive pricing and five body styles, with the Scenic mini multipurpose vehicle accounting for nearly half of Mégane sales. In March the Mégane topped the European sales charts for the first time.

The drop in April sales could also be explained by the absence of any late-month surge in registrations to reap manufacturers' quarterly bonus schemes. In addition the days lost to Easter were compounded by bad weather. The SMMT said the drop was not unexpected given a buoyant March.

The joint sales figures for March and April this year are the second-biggest ever, confirming that overall demand for new cars is strong.

"We remain confident that this year will be a very good one for the motor industry and it would take a savage change in interest rates or personal taxation to prevent this," said Alan Pulham, franchised dealers director of the Retail Motor Industry Federation. Rover said: "We're not that concerned about market share, we're out there to earn profit. The Rover 100 model has been out of production this year which explains why units have dropped."

Vauxhall said its 19 per cent drop in sales was because of the launch and subsequent limited supply of the new Astra, usually its best selling model.

Wheels in Motion, Page 19

Plans for Clinton visit to Ireland abandoned

By David Wighton, Political Correspondent

Plans for President Bill Clinton to visit Ireland before the island's May 22 referenda have been abandoned, the White House said yesterday. A spokesman said the president did not want "to detract from the effort that the people of Ireland should make to judge for themselves the opportunities that this peace agreement brings".

Anti-nationalist politicians in Northern Ireland have protested that a Clinton visit would be seen as interference in the referendum, which will coincide with a similar poll in the Republic of Ireland.

Peter Robinson, an MP in the hardline Protestant Democratic Unionist party, said last month: "Northern Ireland always welcomes world leaders who are coming in friendship, but those who are coming to interfere in the internal electoral process are clearly not welcome." Mr Robinson's party boycotted the peace talks, chaired by former US senator George Mitchell.

The first hint that Mr Clinton might not visit before the referenda came last month from Bertie Ahern, prime minister of the republic, after a visit by Jim Steinberg, the US deputy national security adviser.

Meanwhile Tony Blair, the UK prime minister, yesterday announced a multimillion pound fund to support the victims of violence in Northern Ireland, as he stepped up efforts to calm unionist concerns over last month's peace agreement.

Blair announces fund for victims of attacks after hearing of EU aid to paramilitary prisoners

The plans were revealed as Mr Blair met leaders of the Protestant Orange Order, which has recommended its 80,000 members reject the deal.

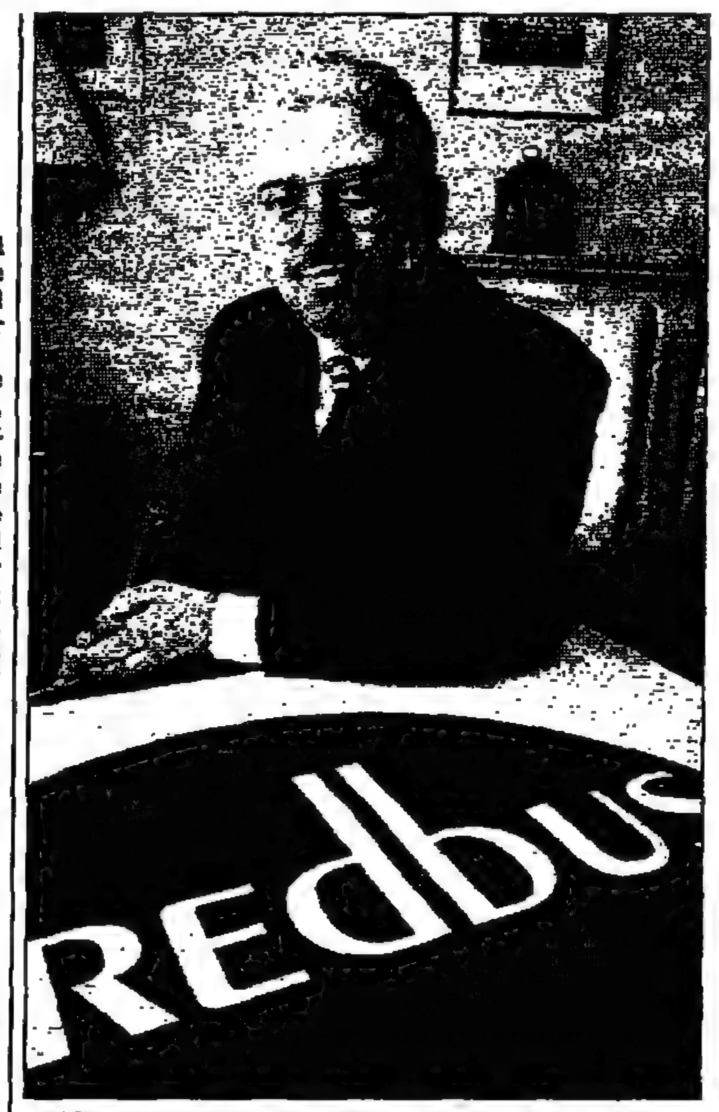
Orange leaders later said they still found parts of the deal "objectionable" and had been convinced by Mr Blair that it could not be altered.

But Mr Blair's office gave a more upbeat assessment, expressing optimism that many concerns could be addressed by "clarifying" the terms of the agreement. The prime minister's official spokesman said Mr Blair was determined to "get out there and explain what is in the agreement", which was being misrepresented by those opposed to the deal.

The announcement of the victims' fund received a warm welcome from unionists concerned about the agreement. Arlene Foster, one of the Ulster Unionists – the biggest pro-British party – opposed to the deal said it was "excellent news".

The prime minister's office said Mr Blair was "taken aback" when Ms Foster said more money from the European Union's peace and reconciliation fund went to paramilitary prisoners and their families than to victims.

Philip Stephens, Page 18



Cliff Stanford, the founder and former managing director of Demon Internet, yesterday launched a new investment company which aims to support innovative start-ups. Demon, the UK's biggest internet service provider, was sold last week to Scottish Telecom. "For too long now the UK has suffered from a lack of courage in backing innovative concepts and business ideas," he said.

Taiwan opens office in Scotland

By James Buxton in Edinburgh

Taiwan has opened a representative office in Edinburgh to develop economic contacts between Scotland and Taipei and boost the growing number of Taiwanese companies making direct investments in Scotland.

Taiwan and the UK do not have diplomatic relations but carry out inter-governmental contacts through "representative offices". The Taipei Representative Office in Edinburgh will have some of the functions of the consulates which many governments maintain in the Scottish capital.

The disclosure about the Taipei representative office came as Foxteq, a subsidiary of Hon Hai, the Taiwanese electronics company, said it was establishing a £15m ($25m) plant in Scotland to make metal cases or enclosures for personal computers.

Foxteq is opening a 9,000 sq m plant at Renfrew, near Glasgow, to supply European computer manufacturers.

It will create 300 jobs by the end of this year, rising to 560 over three years.

Hon Hai Precision Industry is a publicly listed company with manufacturing operations in China and the US. Annual sales are £456m.

Foxconn and Foxteq, its UK subsidiaries, make cables, connectors and PC enclosures.

The biggest Taiwanese investment in Scotland is by Chung Hwa Picture Tubes, which is implementing a £260m project to make cathode ray tubes in a plant in central Scotland which will eventually employ 3,300 people.

Lite-On, a big manufacturer of computer screens, is completing a £40m plant nearby to make monitors.

Recently Delta Electronics said it was investing $18m in a plant to manufacture power supplies for computers at East Kilbride, south-east of Glasgow.

NEWS DIGEST

HEATHROW AIRPORT

Corporate jet groups in court challenge over slots

Operators of corporate jets yesterday began a legal challenge to a new system for allocating take-off and landing slots at London's Heathrow airport, which they say will damage their business. The case brought by members of the Heathrow Jet Operators Association challenges changes made to airport procedures by Airport Co-ordination, the organisation responsible for allocating slots at the airport. Heathrow said yesterday that the changes were necessary because of increasing congestion. European Union and UK government regulations meant that it had to put the interests of scheduled and charter aircraft before those of corporate jets.

The jet operators said they would allege there was a lack of consultation and that the new arrangements contravened EU rules. **Michael Skapinker, London**

CANTRADE PRIVATE BANK

Court urged to impose $5m fine

A court on the island of Jersey was asked yesterday to impose a £3m ($5m) fine and £300,000 costs against Cantrade Private Bank, a UBS subsidiary that admits criminal recklessness. Crown Advocate Cyril Whelan told the court that the bank had committed a flagrant breach of trust by making misleading statements to encourage investment in a perilous scheme. "They have spoilt the fabric of Jersey's finance industry with the slur of criminal conduct," he added. Advocate Whelan also asked the court to impose a six-year prison sentence on currency trader Robert Young and a three-year sentence on former Touche Ross partner Alfred Williams, both of whom were found guilty, at the end of a 22-day trial, of making misleading, false or deceptive statements to investors. **Philip Jeune, Jersey**

CALL CENTRE MARKET

UK to lose lead to Germany

The UK will lose its leadership of the European call centre market to Germany by 2002, according to a report by Datamonitor, the analysts. The UK has more than 12,000 "agent positions", or manned telephones, at specialist companies which handle calls on behalf of others. Germany comes second, but will take the lead with more than 30,000 outsourced agent positions in four years, says Datamonitor. This will be fuelled by the growth of the call centre market in Germany, and by Germany's relatively high levels of outsourcing of business services, the company says.

Financial services account for 23 per cent of the European call centre outsourcing market, followed by consumer products at 21 per cent and technology/telecommunications with 15 per cent.

● British Digital Broadcasting, the pay-television company, will announce today that it has appointed British Telecommunications to manage its customer call centre. BDB, which is jointly owned by Carlton Communications and Granada Group, will launch at least 15 digital terrestrial channels by the autumn. The move reflects a continued stalemate in the relationship between BDB and British Sky Broadcasting, the satellite broadcaster. BSkyB would have been an obvious candidate to handle BDB's customer inquiries, but the pair are in dispute over the boxes used to unscramble digital television signals. **Brian Groom and Cathy Newman, London**

HEALTH ANTI-AGEING CREAMS

Vitamins to help wipe away the wrinkles

Vanessa Houlder asks whether lotions and potions that contain antioxidant vitamins help the complexion retain a youthful glow

Whenever the beauty industry trumpets a new "scientific" advance, it tends to be greeted with scorn by medical experts. As far as many dermatologists are concerned, the appeal of the myriad lotions, unguents and serums on the beauty counters is mostly due to seductive packaging and marketing hype.

And yet the latest generation of skin products is proving hugely popular. In the US alone, people spend an estimated $800m (£500m) a year on anti-ageing skin products. Does their success prove that the products really work? Or is hope triumphing over experience?

The case for high-tech wrinkle creams has been bolstered by French research published last week which suggested that a vitamin cream resulted in a "significant improvement" in skin that has been damaged by exposure to ultra violet light and other irritants.

The research, which was supported by a grant from Estee Lauder, the cosmetics company, was part of a much larger study – called Su.Vi.Max – to evaluate the impact on health of antioxidant vitamins, such as vitamins C and E. When eaten, these vitamins are believed to protect against the damaging effects of free radicals, a highly reactive type of oxygen atom. The French study provides evidence that the antioxidants are also effective if they are applied to the surface of the skin.

The study produced striking results, according to the researchers. There was an 8 per cent reduction in existing lines and wrinkles in the group treating their skin with the antioxidants, compared with a 15 per cent increase in severity of lines and wrinkles of the group using the placebo lotion.

It also reduced the loss of skin elasticity and thickness, suggesting that the antioxidants prevent the destruction of collagen in the skin by ultra-violet light. There was no effect from the antioxidants when they were swallowed as capsules.

The researchers acknowledged that the medical profession has been sceptical that a cream containing antioxidant vitamins can improve the condition of skin. But they hope their results will change perceptions. "We believe these findings will convince our colleagues of the benefits of topical anti-oxidants in skin care," says Loic Vaillant, professor of dermatology at Tours University.

The medical profession has been sceptical that...a cream containing antioxidant vitamins can improve the condition of skin

Critics often argue that the claims made by anti-ageing products are often meaningless or even untrue. If a product is effective in treating ageing, it should be classified as a drug, not as a cosmetic, they say.

There are isolated examples of wrinkle treatments that have passed scientific muster. In 1994, a cream called Renova – which contains an active ingredient related to vitamin A – was approved in the UK as a prescription wrinkle treatment. The cream, which was originally developed to treat acne, became the first prescription-only wrinkle treatment to win approval from the US Food and Drug Administration in 1995.

More common are "cosmeceuticals", the term used to describe products that blur the distinctions between cosmetics and pharmaceuticals.

The most notable example of this breed are the moisturiser ingredients called "alpha hydroxy acids" or AHAs which arrived on the market in 1992. This term covers a range of acids, mainly from fruits, which may work by speeding up the shedding of the outer layers of the epidermis.

For many, this peeling effect results in a younger looking skin. More recently, "beta hydroxy acids", specifically salicylic acid, have been introduced with claims that they are more effective and milder than AHAs.

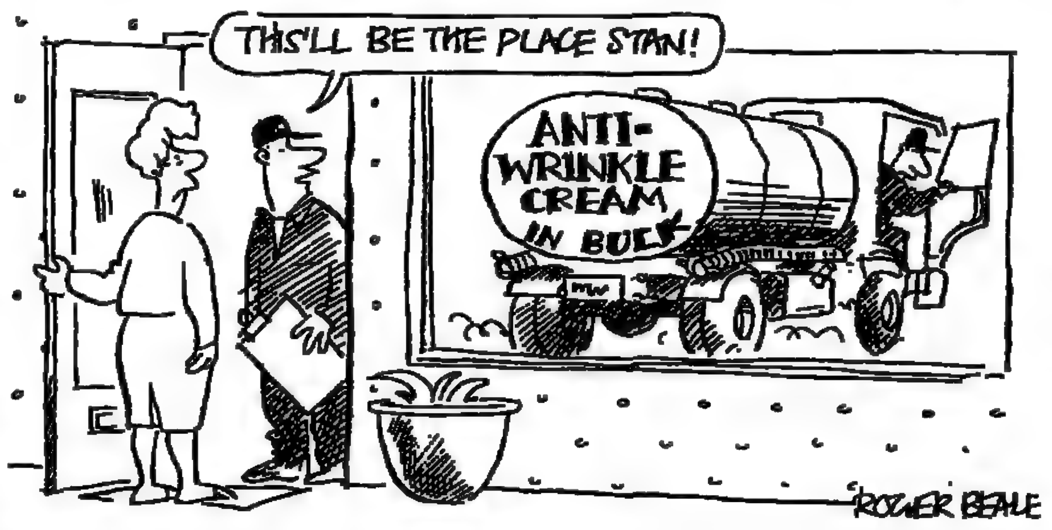
The real test of cosmeceuticals like these is whether they work. The manufacturers can point to their sales figures in support of their claims. However, research by the Consumers' Association is less encouraging.

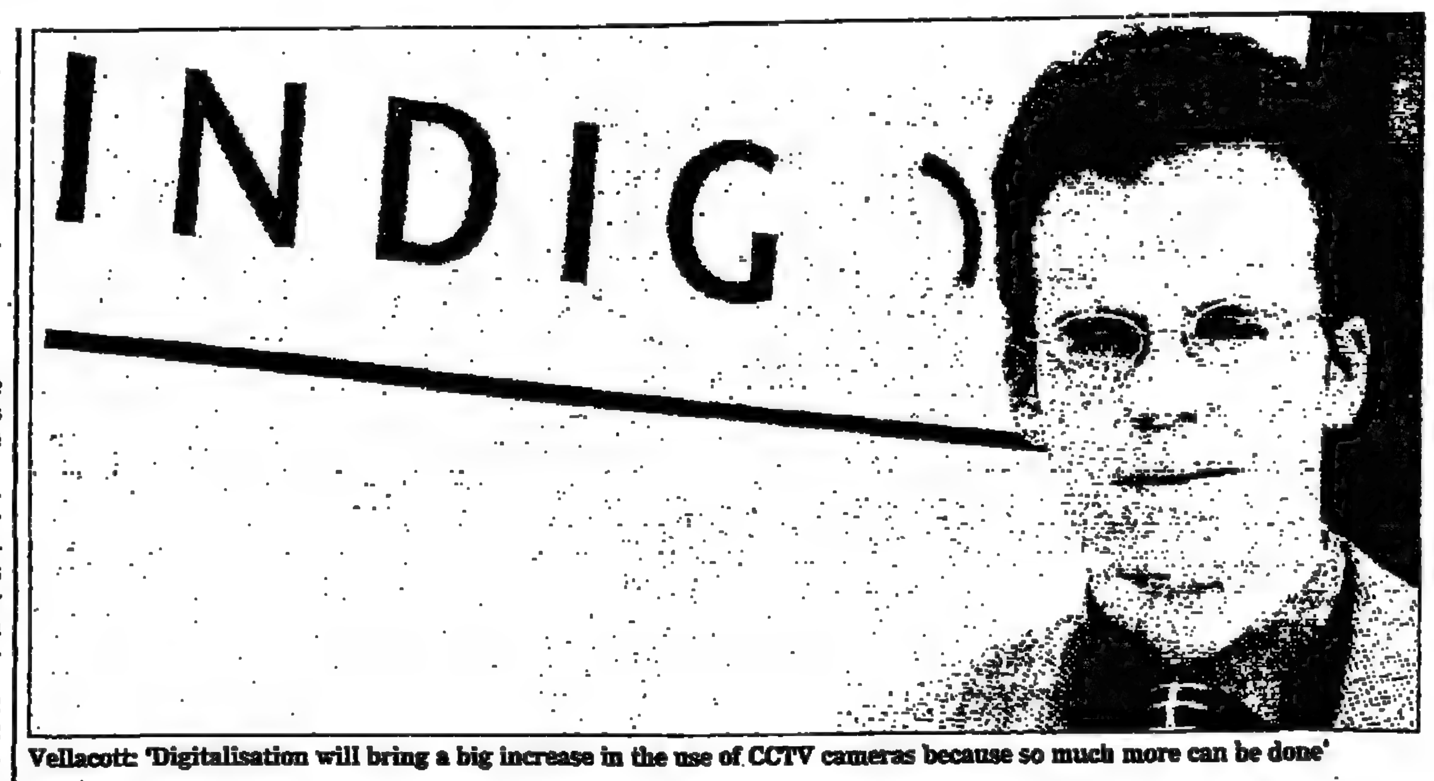
After a blind testing of 12 ordinary moisturisers and 12 anti-ageing creams, it concluded that the women were more likely to attribute any perceived improvements such as fewer wrinkles or smoother skin, to ordinary moisturisers rather than anti-ageing creams.

One component of the skin creams won general approval. As the sun is held largely responsible for visible signs of skin ageing, the use of sun screens – or staying out of the sun – is probably the best way to prevent wrinkles and lines.

Otherwise, the report was sceptical about the effectiveness of the anti-ageing ingredients. "Some of the claims made for the ingredients in anti-ageing creams can be substantiated but, in the low concentrations used in the creams, they are unlikely to do much more than moisturise your skin," it said.

The evidence in favour of the cosmeceuticals is, at best, inconclusive. But that seems unlikely to stop their relentless rise in sales.





Vellacott: 'Digitalisation will bring a big increase in the use of CCTV cameras because so much more can be done'

TECHNOLOGY DIGITAL CCTV

Looking for trouble

The days of analogue surveillance equipment may soon be over. **James Buxton** on the advent of digital security cameras

The scene from a film where the security guards doze while TV monitors in front of them display blurred pictures of intruders relayed from security cameras may be about to become a thing of the past.

It is now possible to programme CCTV cameras to buzz the person responsible when something irregular happens, such as a door opening when it should not or a sudden build-up in the flow of people in a public area. No longer need the only watcher be the security guard: the CCTV pictures can be viewed by the office receptionist or a senior executive, and simultaneously by a colleague miles away.

These advances are being made possible by the arrival of digital technology in CCTV, a world that has hitherto been largely analogue. Unlike analogue CCTV systems, digital systems permit cameras to be programmed to respond intelligently to images and to do such tasks as counting people and recording the colours of their clothes.

Whereas analogue video pictures cannot be transmitted satisfactorily over more than about 100m of coaxial cable or about 30km of optical cable, digital images can be sent any distance over computer networks using simple cables without losing quality. They can be stored on CD-Roms and used as evidence in court.

"Digitalisation will bring a big increase in the use of CCTV cameras because it means so much more can be done with them," says Oliver Vellacott, an entrepreneur whose company Indigo Active Vision specialises in digital imaging.

Indigo produces a small card containing a microchip and software that process images from CCTV cameras and transfer them to local or wide area networks where people view them on PCs. It sells to makers of CCTV cameras and surveillance systems in Europe and the US, and is now concentrating on Japan.

Based outside Edinburgh, it employs only 25 people but is growing rapidly from a small base. Last year it shipped 10 times as many units as the previous year and expects a similar increase this year. Turnover, which Alister Minty, head of sales and marketing, says is in "millions of dollars as opposed to tens of millions", trebled last year.

Mr Vellacott started Indigo after working for Vision Group, the quoted Edinburgh producer of semiconductors for imaging sensors. Though he and senior executives hold the majority of the equity, it has obtained $5m from 3i, Northern Venture Managers and Scottish Development Finance. It spent $3m developing a Risc (reduced instruction set computing) processor and operating software it has patented.

Indigo says this has given it an edge over rival producers of active vision systems for CCTV. Competing systems depend on a PC containing three extra cards to receive, compress and package images from the camera. Indigo has put the functions on to a single card that is inserted into the camera. Though typical orders might be worth $1m, it claims the system costs only $100 per channel. "We think that is a price level at which a mass market can take off," says Mr Vellacott.

Indigo's target market consists of 200 or so big companies worldwide that make CCTV systems – a market that it believes will be worth £3bn ($5bn) during the next five to 10 years. Initially it is concentrating on enabling companies to upgrade existing surveillance systems from analogue to digital by installing its card and software. Later it expects to benefit from a wave of orders for new cameras and systems.

The company refuses to name its customers. However, it says its product has been used to improve the internal surveillance system in a state prison in the US.

Indigo's cards have also been fitted to the command and control system of an Aegis class cruiser of the US navy without requiring additional cabling. The Indigo system plugs into the existing network and supplies live video pictures to any workstation on the network.

Indigo sees a potential niche in the market for speed cameras. Just now numbers are limited by the time it takes to move the cameras from site to site and process film. But Mr Vellacott believes numbers will rise as it becomes possible to manage them remotely and process the data swiftly.

PROPERTY MARKET PLACE

MANAGEMENT EXPATRIATES

The loneliness of the overseas posting

When managers are sent to run offices abroad, they feel cut off from headquarters in more ways than one, says **Alison Maitland**

A Robert began work at a European-based multi-national with high hopes of a successful international career. But doubts soon set in.

After his first posting in eastern Europe, he spent several months kicking his heels at head office until his bosses found a job for him as a manager in South America. Now in his late-twenties, he is unsure how his career will develop and is frustrated by the lack of feedback.

"What I'm learning here should allow me to take a more senior role somewhere else abroad or at head office," he says.

"But I'm not clear this is going to happen because I'm not sure there's any significant management of the career process abroad. Sometimes you feel you're not getting clear guidance because you've been slightly forgotten about. That's not a particularly good use of resources."

Such problems encountered by expatriate managers away from home are branded "the perils of detachment" by Ray Wild, principal of the UK's Henley Management College.

Companies increasingly demand international skills of their managers in the drive to globalise, he says. But obstacles may stand in the way of those who want to return to a job at the top of their organisations.

These are not only the well-documented problems of culture shock, lower living standards or the upheaval of moving children to schools back home.

More intractable are the obstacles created by being remote from the centre of power, the "executive dining room debate" and the professional contacts that help managers develop corporate vision.

Prof Wild says even distinguished international performance is not normally enough to secure a top post.

"Having done well is important, but having the potential to change things in future is also essential. Views on the strategic direction of the business, and familiarity with new threats and opportunities from technological and market changes, are prerequisites for top jobs," he says.

"Unfortunately expat managers can lose out on these things. They tend to be absorbed in running their business. Their time is fully occupied."

Another problem he identifies is "behavioural detachment" – where an expatriate works in a culture demanding a management style judged inappropriate or misunderstood at headquarters.

Prof Wild has known high-flying Japanese executives running operations in Europe or Africa who have returned to obscurity at home: "I think they've probably become too Europeanised for an organisation that is still very Japanese."

Managers facing a difficult "re-entry" to the corporate centre may leave their companies or retire early, soon after returning home.

"When you're an expatriate, you're special," explains Kevan Hall, a former manager with Mars who runs Global Integration, a management training consultancy.

"When you come back you've changed and people around you haven't very much. You may not be coming back to as big a job as you had."

Mr Hall cites a study of US managers that found that 26 per cent were actively looking for work in other companies after returning from overseas and 74 per cent expected to move on within a year.

For Prof Wild, that is not only a waste of talent and resources spent grooming the manager for higher things. "It is also an obstacle to other people following in the same path."

Managers in the field say these "perils" vary according to location, length of posting, and the attitude of the company and individual. With the right approach, they may be overcome.

Antonella Petra, a 31-year-old South African, made the transition from running the Turkish operation of AGB Media Services, a television audience measurement company, to becoming operations director at its Swiss headquarters.

It was not problem-free. In Turkey she adapted her informal management style to tackle what she found to be a hierarchical system. "I almost had to be dictatorial and say [to the local managers] 'You *will* treat your staff as human beings, not servants'," she says.

Returning to Switzerland she found her autonomy curbed: "I worked on gut feel. To come back and suddenly experience total constraint has been difficult." But she feels it is the right place to be.

"I get really good feedback from my colleagues and my boss and I'm learning a lot more."

Expats Fred and Ann Means: 'The advantages probably outweigh the disadvantages' Colin Beere

Ann Means, a European training manager for Price Waterhouse based in Budapest, believes it is easier to keep in touch with the corporate centre on a two-year assignment than a 10-year one.

She says managers working in emerging markets such as Russia can achieve a higher profile and quicker promotion. "I sometimes feel I miss out on the coffee machine chat and bumping into people in corridors. But the advantages probably outweigh the disadvantages," Ms Means says.

Her husband is a general manager for Shell in Hungary and keeps in close touch with colleagues and corporate thinking by the group's intranet, television service and e-mail.

Cable & Wireless runs a programme called Leaders of Tomorrow that identifies and tracks managers a few steps from the top, sending them on international assignments to gain experience.

"It's always worth knowing a lot about them before they go and what they're doing while they're there," says Sally Muggeridge, Asia Pacific human resources director based in Singapore, who set up the programme.

"You have a much better opportunity of integrating them back into the organisation."

Experience at corporate headquarters also helps. Ms Muggeridge was C&W's management development director in London before Singapore: "I don't think I'd have found the transfer so easy without having been in the corporate centre and knowing what it is like."

SmithKline Beecham says it handles the issue by rigorously planning international careers and by shared management processes that induce familiarity wherever executives are working.

Potential general managers must have experience of two countries, two functions – such as sales and marketing – and two sectors, such as pharmaceuticals and consumer products.

Karen Kennedy, head of human resources for the group's European pharmaceuticals division, cites a business strategist in the UK who moved to New Zealand as general manager. "I'm in contact with him and his managers. He has high potential and will move on in three to four years," she says. "It's very rare for us to lose high potential people."

Much also depends on individuals, according to Ms Muggeridge. "You need to have maturity and confidence to step outside and feel you can return." Individuals should develop flexible skills and spot what job needs doing that could provide them with the next career move.

Yet a degree of insecurity may be a natural part of aspiring to reach the top.

As Ms Muggeridge points out, expatriates who never worry are the ones who do not want to return.

'You need to have maturity and confidence to step outside and feel you can return'

Sally Muggeridge, human resources director based in Singapore (left)

THE PROPERTY MARKET

Heading to heady levels

The economic expansion and little new construction have combined to push up US rental prices, says **Richard Waters**

The Sears Tower in Chicago. The Chrysler Building in New York. The Embarcadero Center in San Francisco. Name virtually any landmark US office building and there is a good chance that it recently changed hands – or is just about to.

The return of capital to some of the biggest US central business districts marks a profound change of mood. After the bust of the early 1990s, the investment enthusiasm that remained for office buildings tended to spin out to the suburbs. The downtown office markets were declared dead, killed by excessive costs, antiquated buildings and the shift away from the old cities of the north east and mid-west to the sprawling ex-urbias of the south and west.

The pendulum has swung back with a vengeance – and the prices being paid for top-class buildings have surged. Prime space in Manhattan's midtown district, an area that comprises the world's largest commercial real estate market, now commands as much as $500 a sq ft, while the Embarcadero Center in San Francisco looks likely to top $300 a sq ft when a long-running auction of the development finally comes to an end.

Behind this rebound are two powerful forces: a firming of many downtown rental markets, and the wave of cash that has flowed into real estate investment trusts (Reits). The former has had an unambiguously positive impact for investors, while the latter may already have driven prices to excessive levels.

The long US economic expansion and the dearth of new construction have combined to push vacancy rates down – and rents up – across the country. It was not long ago that pessimists were predicting a steady exodus of big corporations from New York. Now rents in midtown Manhattan "are at levels last hit in the mid-1980s, and the market is very strong," says Bruce Mosler, a director of Cushman & Wakefield. The headline rates do not even tell the whole story: there are fewer concessions available, raising the all-in cost for new tenants, he adds.

New office construction has certainly picked up – but, compared with the 1980s, remains negligible. According to LaSalle partners, a Chicago-based real estate company, the construction of new office space during the peak years of the last decade reached 7 per cent of total outstanding supply: the recent increase in construction took the level to only around 1 per cent last year, rising to an expected 2 per cent in 1999.

At the same time, most purchasers still claim that a comfortable gap remains between the prices they are paying and the replacement cost of a new building. Even deals like that involving the Embarcadero, which is in the final stages of being auctioned, should be completed at less than replacement cost, says John Moody, chairman of Cornerstone Properties, one of the bidders.

It is no surprise that San Francisco – with Boston – tops most investors' list of the hottest downtown real estate markets. New development land is scarce and a regional economic boom has driven rents higher. Similar factors have fuelled the enthusiasm for New York and, to a lesser degree, Chicago.

Despite the generally low levels of new development, though, some cities may already be in the first stages of a new cycle of over-construction. Dallas, fresh from a severe downturn in the late 1980s, is in the grip of a new wave of building, even though its downtown vacancy rate is the highest of any leading city. The demand for space from tenants is rising sharply, but may not be enough.

These cities' problems are not yet severe enough, though, to disturb the general picture. Among 32 central business districts monitored by Cushman & Wakefield, only five suffered an increase in vacancy rates between the first quarter of 1997 and the same period this year. Just two – Atlanta and New Haven – saw rent levels decline.

Whether the prices now being paid for office buildings have got to an unrealistic level is another matter. Not so long ago, seemingly invincible Japanese financial institutions fought for control of prime US real estate: now domestic investment trusts have taken up the running, fuelled by the wave of equity that has flowed into the sector over the past three years. That competition has already driven prices to heady levels.

Take the Embarcadero Center. According to Mr Moody a price of $300 a sq ft would equate to a capitalisation rate for the buyer of around 6.5 per cent. That is well below the "cap" rate of around 9 per cent that, according to PaineWebber, is typical in the office sector.

How could any company justify an investment that would yield less than its cost of funds? According to Mr Moody, though, that 6.5 per cent does not tell the full story. By renegotiating rents that fall due in the short term and bringing forward other rent reviews, it might be possible to lift the yield fairly quickly to 9 per cent or more, he says.

That may be so. However, the fact that real estate companies are now having to work harder to squeeze an acceptable yield from their purchases suggests that the level of risk is going up.

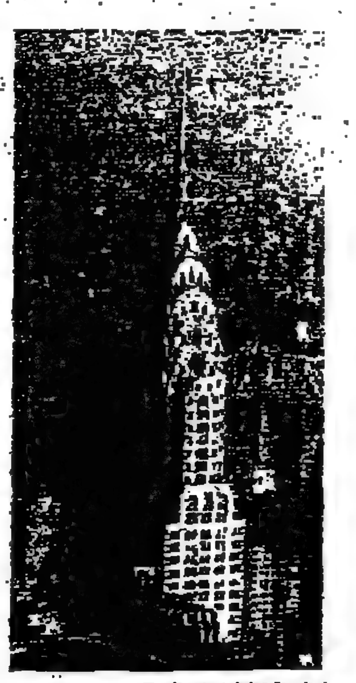
At the same time, the supply of prime office buildings in central business districts may start to shrink. For the most acquisitive Reits, that could spell a tougher period ahead.

Central business districts

	Vacancy rate (%)	Rents* ($ sq ft)	Increase in rents† ($ sq ft)
San Francisco	4.1	41.48	0.85
Fort Lauderdale	4.4	28.83	1.95
Seattle	6.1	24.20	3.32
Boston	6.8	37.77	4.87
San Jose	7.0	33.45	6.72
New York (Midtown)	8.1	41.50	4.47
Orlando	9.4	24.93	1.57
Washington DC	10.5	36.09	1.80
Denver	11.6	28.48	3.80
New York (Downtown)	12.1	33.30	3.58
Chicago	13.5	27.55	3.82
Houston	17.9	19.89	4.19
Detroit	18.2	18.28	0.03
Atlanta	18.4	18.22	(0.57)
Los Angeles	22.3	20.28	3.60
Dallas	23.4	20.15	2.14

Source: Cushman & Wakefield

* For Class A buildings. † Annual increase to March 1998.



The Chrysler building, New York

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VEBA

هكذا من الاصل

Passions run high at the opera

Paul Betts reports on cultural conflicts in Milan as its two theatres squabble over a production of 'Don Giovanni'

Nothing seems to excite Italian passions more than football and opera. Combined, as has been the case in Milan during the last few days, they provoke a general state of neurosis of irrational intensity.

Ever since a referee refused to grant a penalty to InterMilan's Brazilian superstar Ronaldo during a crucial league match against Juventus of Turin, the country's northern business capital has been fuming. But while the city has been united in its indignation over the fortunes of its football it has been divided over the future of its traditional role as the cradle of Italian opera.

"A storm in a teacup" is how Salvatore Carrubba, Milan's cultural councillor, dismisses the row that has blown up over the new Piccolo Teatro's plans to stage a production of Mozart's *Don Giovanni* directed by Peter Brook. The decision, however, has caused furore inside Milan's cultural *gratin*. For staunch supporters of La Scala, the new production, due to open in December at the same time as new Scala season starts, is seen as a direct challenge by the precocious upstart to the venerable opera house. Anyway, they say, the Piccolo should essentially stick to prose.

Adding insult to injury, Claudio Abbado, the Italian maestro who abandoned La Scala 12 years ago to return only once, in 1993, to conduct his Berliner Philharmoniker in a concert, was apparently asked to conduct one or two performances of the Piccolo's *Don Giovanni*. Relations between La Scala and Abbado have been somewhat fraught and in recent years the conductor has turned down repeated invitations to return to the opera home.

The prospect of Abbado appearing at the Piccolo was not only widely seen as a slap in the face to La Scala, but potentially the start of a great war between Italy's two world renowned conductors, Abbado and Riccardo Muti, La Scala's highly regarded conductor for the past 12 years. "Some people were probably hoping to revive the old Callas-Tebaldi rivalry," Carrubba says, referring to the ferocious battle between the two famous sopranos that enlivened life at La Scala a few decades ago.

After years of uncertainty and controversy, the new Piccolo finally opened for business at the beginning of this year with a highly acclaimed production of Mozart's *Così fan tutte*. It took 20 years to complete the new theatre, the brainwave of Giorgio Strehler, co-founder of the original theatre in 1947 and one of the greatest postwar theatre directors. Strehler suddenly died at 76 on Christmas day; a few weeks before the new theatre opened. The success of its first production encouraged Strehler's successors to go ahead with a second, more ambitious Mozart opera, *Don Giovanni*, co-produced with the Aix-en-Provence festival.

The prospect of Abbado appearing at the Piccolo theatre was widely seen as not only a slap in the face to La Scala, but the start of a great war between two internationally renowned conductors

"It's one thing to put on *Così fan tutte* and quite another to stage a big work such as *Don Giovanni*. It's as if the Piccolo was throwing the gauntlet at La Scala," argued the Scala claque. Fans of the Piccolo retorted that Milan had everything to gain if La Scala faced some competition. Sergio Cofferati, the leader of Italy's biggest trade union, CGIL, and a committed opera buff, said he could not think of anything better than Muti conducting at La Scala and Abbado at the Piccolo.

Rumours, speculation, conspiracies and insults started running wild in the local press, provoking embarrassment all round – at La Scala, at the Piccolo, in the public administration which owns the two theatres. A damage limitation exercise was quickly orchestrated.

Carlo Fontana, La Scala's superintendent, issued a statement to put a stop to what he described as "provincial" polemic surrounding the controversy. He would be very pleased to see Abbado return to Milan to conduct at the Piccolo, and even more pleased, he said, if he returned to La Scala. He had written to Abbado asking him to conduct a concert during the centenary celebrations, in 2001, of Verdi's death. And yes, La Scala respected the autonomy of the Piccolo in deciding its programme. But the opera house also wanted a say in the broader debate on the role of the city's various cultural institutions and its cultural policies.

A few days later, Roberto Ruozi, the Piccolo's chairman, poured more cold water on the controversy by disclosing that Abbado had never been invited to conduct the Piccolo's *Don Giovanni*. He confirmed, however, he had written to Abbado to ask him to conduct a concert to commemorate the death of Strehler, but that Abbado had prior engagements.

After a meeting with the superintendent of La Scala, Ruozi claimed there were no problems. "The two theatres are complementary," he said. The Piccolo would pursue its vocation to stage innovative productions and address a broad public. Asked if the Piccolo would stage other grand operas, Ruozi said the decision would be taken with the theatre's new director when he is eventually appointed to fill the gap left by Strehler.

If the city's two theatrical institutions have agreed to a temporary armistice, the agitation of the last few days has brought to the fore a problem that stretches far beyond Milan. It coincides with the long awaited conclusions of the report on the future of opera in London and whether London should continue to host two competing houses. It raises similar issues for Paris and other leading musical and theatrical centres. In the case of Milan, the debate is likely to continue over whether La Scala should retain its monopoly on opera, with the Piccolo focusing on prose, or whether there is room for competition.

"There is clearly a great demand for opera. Public demand for seats at La Scala is huge," says Carrubba, who initially sparked the controversy by criticising the Piccolo's decision to stage *Don Giovanni*. As the storm erupted, he quickly toned down his criticisms saying that the two theatres should consult each other, and that arguments between cultural institutions were an utter nonsense. And with a certain mischievous amusement, referring to the recent brouhaha and the critics of the city's apparent cultural decline, he adds: "Who says that culture is dead in Milan?"

In this sort of cultural climate, the risk is that opera could be mistaken for football. But then it probably has always been so in Milan.

POP

Junkie, punky and lots of fun

Given the notoriously conservative tastes of the American public in popular music, it is good to hear a US band dishing it out with some panache and attitude. The Dandy Warhols are a four-piece from Portland, Oregon whose indie debut *The Dandy Warhols Rule OK* promised great things, only for the group to fade disappointingly from view.

Come Down (Capitol) is their follow-up, and it is mostly a lot of fun. Sugary but not oversweet, spacey but determined, it has already spawned the excellent single "Not If You Were The Last Junkie On Earth", a cod-Beach Boys number featuring the most cheering refrain of the year: "I never thought you'd be a junkie because heroin is so passé".

In fact, spotting the impersonation on this playful set is one of its pleasures: the soft, acoustic "Minnesoter" not only has vocalist Courtney Taylor straining his high register *à la* Neil Young, but also echoes the grizzled singer-songwriter's "Old Man" from *Harvest*; more obvious still is a perfectly lugubrious Lloyd Cole impression on "Good Morning".

Elsewhere, there are jangly guitars, cheesy organ riffs, punky chord progressions and some accomplished harmonies. "Boys better" and "Green" are the most successful tracks, although even here there is a tendency to meander ineffectively which, by the end of the album's 66 minutes, can irritate. One frequently longs for an improbable chord change or two, some grit among the sweetness.

Come Down is some way short of a great album, but I imagine The Dandy Warhols are a highly enjoyable night out (they play at London's Camden Electric Ballroom on June 1) and definitely one to watch at this year's summer festivals.

★

Asian Dub Foundation's *Rafi's Revenge* (FFRR) is full of energy, anger and self-righteousness, but somewhat short of the musical invention one might have hoped from this band of such high reputation. Most of the acclaim has been for their live performances, which are fiery affairs indeed, but much of the band's furious polemic inevitably sounds stilted here – "The time is now right to burst the imperial bubble/ and my act of revenge is just a part of the struggle" is one crass example.

Still, the stand-out "Free Satpal Ram", a whirling eastern violin riff supported by blasts of heavy metal guitar, is in the finest tradition of protest songs, and the numerous revolutionary slogans flying around make a more appropriate commemoration of May 68 than any number of colour supplement anniversary editions.

Peter Aspden

OPERA

The Queen of Spades misses a trick

Andrew Clark is disappointed by Yannis Kokkos' new production for Scottish Opera

Compensatory youthful elegance: Elmira Magomedova (right) as Lisa, with Boris Trajanov's Yeletsky

The opening up of eastern Europe has released a flood of big and often beautiful voices, from which western opera companies have been quick to profit. Works like *The Queen of Spades*, which might otherwise have been impossible to cast adequately, have suddenly come within the compass of medium-sized ensembles. That is why Scottish Opera's new production is of particular interest: no fewer than five principal roles are sung by young east Europeans. But does it make much difference?

The overall impression of the colourless, single set is that of a do-it-yourself morgue

At Glasgow's Theatre Royal on Tuesday, it was hard to give a clear answer. Two of the voices – the Ukrainian tenor Vladimir Kuzmenko and the Russian soprano Elmira Magomedova – were definitely worth hearing. The other three could have been bettered by any number of local candidates. What the performance underlined was that there is little point importing *any* exotic east Europeans unless you provide the right dramatic context for their talents. This is not just a question of matching powerful voices to an equally powerful visual framework. It means showing them how to act, and encouraging them to move as part of a living, breathing ensemble. That is what Yannis Kokkos's production signally fails to do. For all its passing merits – of which Richard Armstrong's conducting must be counted supreme – this *Queen of Spades* is a serious let-down.

Designers who justify their ambitions as directors are rare – and I have yet to be convinced that Kokkos is one of them. He proves nothing like as resourceful as David McVicar and Antony Macdonald in last season's *Idomeneo* and *Samson et Dalila*. Far from surmounting a modest budget as they did, Kokkos only underlines the limitations. All contrasts are ironed out by his colourless single set – a diagonal platform framed by slanting Grecian columns, the overall impression being that of a do-it-yourself morgue.

There is no spectacle, no echo of Petersburg-Imperial manners, no evocation of romantic storm or rococo richness. Nor is there any compensating intimacy: everyone seems to wander round in emotionally sealed containers, so that the central confrontations are robbed of the claustrophobic intensity on which the drama depends. The principals spend much of the performance lurking in corners, their faces obscured by dim lighting, with black period costumes poorly profiled against a black backdrop. Only in the final gambling scene does Kokkos achieve a pertinent sense of atmosphere and grouping.

Thanks to his previous work in Glasgow and Cardiff, Kokkos's neat, emotionally constrained style is well known. It beggars belief why anyone thought he would be a match for the macabre passions of *The Queen of Spades*. No such constraints were evident in Armstrong's handling of the score: he proved as convincing a Tchaikovskian as he is a Verdian, with the same gift for shaping melodic line, generating musical adrenalin and pinpointing the dramatic watershed of each scene. Thanks partly to the Theatre Royal's improved acoustic, much of the detail in Tchaikovsky's orchestration could be pleasurably absorbed – from the blood-curdling bass clarinet at the start of the apparition scene, to the felicitous woodwind trills as the gambling scene got under way. The Scottish Opera Orchestra was at its most responsive. So was the chorus: the male voices could not have sung a more sensitively shaded finale.

I look forward to hearing Kuzmenko again in a more dynamic production. His strapping, muscular voice may not be especially beautiful or flexible, but the tone is liquid and he sings with expressive taste. Magomedova's youthful elegance makes her an ideal Lisa in appearance; vocally and histrionically, the impression is not so convincing. The timbre may be rich and dark, but it lacks brilliance, and she has yet to learn how to portray emotional turmoil. Jadwiga Rappé's Countess is worlds away from the "walking mummy" of Pushkin's imagination: she gestures too freely for a decrepit old aristocrat, and the characterisation is more a blank sheet than a sketch. A stick with which to prod and scold would have made all the difference. Boris Trajanov's Yeletsky and Alexander Poliakovs's Tomsky are very ordinary. And so, ultimately, is this *Queen of Spades*.

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera
Tel: 31-20-551 8911
Tosca: by Puccini. New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. Conducted by Riccardo Chailly; May 8, 10, 12

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: triple bill of works by Kylián, Bigonzetti and Forsythe; May 8, 9, 10

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
Don Pasquale: by Donizetti. La Scala production conducted by Maurizio Benini/Roberto Polastri in a staging by Stefano Vizioli; May 8, 10, 12

BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
The Iberians: between the sixth and the first century BC, a little-known civilisation existed on the west of the Mediterranean bowl. Contemporaries of the Phoenicians and the Greeks, the Ibers developed a distinctive culture. Some of the 350 objects included in this display have never before been removed before from the sites of their excavation. Others have been loaned by Spanish and French museums; from May 14 to Aug 23

BRIGHTON

THEATRE
Brighton Festival
Tel: 44-1273-685 861
The Cherry Orchard: by Chekhov. Rimas Tuminas directs a production by the Small Theatre of Vilnius, Lithuania. With English subtitles; Gardner Arts Centre, University of Sussex; May 8, 9

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Il Ritorno d'Ulisse: by Monteverdi. New production conducted by Philippe Pierlot in a staging by William Kentridge. With the Handspring Puppet Company, at the Lunatheater; May 9, 10, 12, 13
● L'Orfeo: by Monteverdi. New production conducted by René Jacobs and directed and choreographed by Trisha Brown, with designs by Roland Aeschlimann; May 13

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Mark Wigglesworth in works by Debussy, Mozart, Berg and Sibelius. With soprano Christine Schäfer; May 8, 9

DUBLIN

EXHIBITION
National Gallery of Ireland
Tel: 353-1-661 5133
The Irish Architectural Archive: 50 works selected from the archive, including designs for houses and churches by architects including James Gandon and Raymond McGrath; ends on Sunday

EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art
Tel: 44-131-624 6200
William MacTaggart (1903-1981): retrospective of the Edinburgh modernist. Includes around 50 paintings, watercolours and drawings, the majority borrowed from private collections and seldom exhibited; ends on Sunday

GLASGOW

OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
The Queen of Spades: by Tchaikovsky. Conducted by Richard Armstrong in a staging by Yannis Kokkos; May 9, 12

LAUSANNE

CONCERT
Théâtre de Beaulieu
Tel: 41-21-643 2211
Orchestre de la Suisse Romande: conducted by Ulf Schirmer in works by Carl Nielsen and Isang Yun. The programme is completed by Stravinsky's Rite of Spring; May 14

OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1600
Il Matrimonio segreto: by Cimarosa. Conducted by Jonathan Darlington in a staging by Alain Marcel. Cast includes Alison Hagley; May 8, 10, 12

LISBON

DANCE
100 Days Festival, Expo '98
Pina Bausch: specially commissioned new work; Main Auditorium, Centro Cultural de Belém; May 11, 12, 13

LONDON

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Masters of Light: Dutch Painting from Utrecht in the Golden Age. Previously seen in San Francisco and Baltimore, this exhibition brings together 74 works produced by painters working in the city of Utrecht in the first half of the 17th century; to Aug 2

LOS ANGELES

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; May 8, 13

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Der Freischütz: by Weber. Conducted by Donald Runnicles in a staging by Pier'Alli, with a cast including Kim Begley and Nancy Gustafson; May 9, 12

MOSCOW

EXHIBITIONS
Pushkin State Museum of Fine Arts
French Master Drawings from the Pierpoint Morgan Library: featuring 120 drawings, sketchbooks and albums drawn from the library's permanent collection; ends on Sunday, then transfers to St. Petersburg

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● David Helfgott: Rachmaninov's Piano Concerto No. 3. With the Munich Symphoniker, conducted by Jeanpierre Faber; May 8
● Die Schöpfung: by Joseph Haydn. Concert performance conducted by Hayko Siemens; May 9

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Leonard Slatkin in works by Fine, Mozart and Dukas. With piano soloist Alicia de Larrocha; Avery Fisher Hall; May 8, 9, 12

OSAKA

EXHIBITION
The Museum of Art, Kintetsu
Tel: 81-6-624 1111
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of Beardsley's death; from May 15 to Jun 8

PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Cyril Huvé: recital by the pianist of works by Brahms; May 11

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
Philadelphia Orchestra: conducted by Wolfgang Sawallisch in works by Weber and Tchaikovsky; May 12

STOCKHOLM

CONCERTS
Königlichen Oper
Tel: 46-8-248 240
Deutsche Oper Orchestra: conducted by Jiri Kout in works by Weber and Dvořák; May 10

OPERA
Königlichen Oper
Tel: 46-8-248 240
Deutsche Oper: Tannhäser, by Wagner. Conducted by Jiri Kout in a staging by Götz Friedrich; May 9, 12

TV AND RADIO

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06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
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● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Out of a timewarp

Let us hope a majority of unionists look to the future when they vote on the Northern Ireland agreement in two weeks

We know what the British think of Northern Ireland. Good riddance. That is what they would murmur beneath their breath if this expensively troublesome province might somehow be set adrift in mid-Atlantic. You're welcome, they would whisper in Dublin's ear if Irish partition could peacefully be undone.

Ulster's unionists understand this all too well. The less they are loved, the harder becomes their intransigence. The process is self-reinforcing. The more it fears betrayal, the more unionism insists on its own defiant isolation. Cause and effect become hopelessly entangled. Last month's political settlement might yet founder on this rock of mutual mistrust.

The referendums on the accord are two weeks away. The North is invited to vote for power-sharing between Protestants and Catholics, and for a co-operative relationship with the South. The Republic is asked to remove the sovereign claim to the six counties at present inscribed in its constitution.

A simple yes vote in both plebiscites is all but assured. So the temptation is to be mesmerised by the manoeuvres and motives of Republicans. Gerry Adams of the IRA has told Gerry Adams of Sinn Féin that Republicanism can abandon its historic opposition to participating in a "partitionist" assembly in the North. A weekend convention of Sinn Féin activists will back the accord. No guns, though, will be delivered to decommissioning.

Sure enough, these are momentous times in the bloody history of Republicanism. Yet they are a distraction. It was to the unionist majority that Tony Blair and John Major spoke when they shared a platform in Belfast this week. For good reason. The prime ministers present and past appreciate that it is not enough to win over 51 per cent of Northern Ireland's voters. If the settlement is to endure, it must take root in the Protestant community.

That means unionists must vote for it in credible numbers. They must be persuaded against their own prejudices and against the visceral sectarianism of many of their leaders. The Protestants of the Shankhill, of Antrim and of Fermanagh must be convinced that a politics that respects their nationalist neighbours will strengthen rather than weaken the union.

We should not underestimate the task. Never has a corner of a kingdom been so unloved. The Irish sea cannot measure the vast distance between unionism and the Britishness to which it swears allegiance.

To the British who would wish it away, Northern Ireland is a place of pinched, mean-spirited sectarianism. The unionism of Orange sashes, bowler hats and Apprentice Boys is as divorced from mainstream British politics as was Eamon De Valera's theocracy. The liberal revolution of the 1960s passed Ulster by. So did the Thatcher revolution of the 1980s. It drains the Treasury's coffers and offers only insults in return.

The unionists' concomitant fear of betrayal is readily exploited by those determined to destroy the present accord in the manner in which they have wrecked past attempts at reconciliation. To Ian Paisley's Democratic Unionist party, Ulster is built on Protestant rule or it is nothing. Power sharing, parity of esteem and the rest are mere code words for a sell-out to a united Ireland.

Robert McCartney of the UK Unionists adds a spurious intellectual veneer to this street-corner bigotry. He reminds me of Enoch Powell. In seeking to broker an accommodation between unionism and nationalism, Messrs Blair and Major are said to be paying tribute to Palmerston's amoral aphorism that England has neither friends nor enemies, "only interests". The Good Friday agreement bears comparison with Neville Chamberlain's Munich surrender to Adolf Hitler. Thus the Irish sea grows ever wider.

David Trimble, the leader of the mainstream Ulster Unionists, understands this. Mr Trimble, who only three years ago led the hard men of the Orange Order at Drumcree, is no easy touch. There is much in the settlement of which he disapproves.

We can see why. The release of terrorists who have killed and maimed the innocent over 30 years warms few hearts. The prospect of Mr Adams of Sinn Féin joining a power-sharing executive while Mr Adams of the IRA guards his stores of Semtex seems preposterous. Reform of policing must not transfer control of the streets to the paramilitaries.

Yet Mr Trimble, the first unionist leader for 25 years to look to the future rather than the past, has grasped the bigger point. Northern Ireland's majority cannot indefinitely demand that Britain provide its security – physical as well as financial – and then brook no interference in its affairs. There are two parties to the bargain of the union.

There is unspoken recognition in Mr Trimble's stance that the union's weakness lies in Northern Ireland's isolation. As the province has stagnated, the world beyond has changed out of all recognition. The Republic has been transformed by economic success and a self-confident role in Europe. It can drop its constitutional claim to the North because it has redefined Irishness as cultural rather than territorial.

Mr Trimble talks of starting afresh, of nurturing mutual respect among unionists and nationalists. He wants to lay "the foundation for a healthy, vibrant democracy to replace the stagnation, frustration and powerlessness of the past three decades". When last did a leader of unionism speak such wisdom?

But this, it seems, is treachery. Mr Trimble is denounced not only by Mr Paisley's Protestant supremacists, but by half of the 10 MPs in his own party. The Orange Order has abandoned him. Opponents of the accord promise to stand for election to the new assembly with the sole aim of destroying it.

Thus Mr Paisley and the like give succour to the IRA – just as they did during the late 1960s when they sought to crush the civil rights movement. Thus they demand all the privileges of the union with none of the obligations. Britain can go on paying the bills and sending the soldiers, but don't let it dare admit any obligations to the Catholic as well as the Protestant community. As for the dismal condition of Ulster, nothing matters save unionist hegemony.

The agreement offers a break from this sectarian timewarp. It guarantees the majority the decisive voice in the province's constitutional future. It embeds the principle of consent North and South. In recasting Northern Ireland's future it would strengthen its place within the United Kingdom. If only unionists would realise it. Let us hope they do. Saying no is only to encourage the British to withdraw their consent for the union.

LETTERS TO THE EDITOR

Chrysler-Benz: all in the stars or a productive, multi-cultural alliance?

From Dr Andrew Cunningham.

Sir, (with apologies to the memory of Janis Joplin):

"Oh Lord, don't you buy me
a new Chrysler-Benz;
it'don't sound the same, so
let's not pretend.
If I'm seen in a Chrysler, I'll
lose all my friends;
they share pointed star signs
– but that's where it ends."

Andrew Cunningham,
Horseshoe,
Horseshoe Lane,
Cranleigh,
Surrey GU6 8QU, UK

From Mr Hanns Günther Bollig.

The Lex column ("Buy me a Chrysler-Benz") and Peter Martin ("The new model Chrysler-Benz") in your May 7 issue examine the cultural differences between Mercedes Benz and Chrysler.

Mercedes Benz has long been the most "German" of the German car manufacturers and Chrysler the most "American" of all Americans. However, it is high time such a German-American merger happened. Everyone who goes in and out of US and German corporate headquarters recognises how many German engineers and buyers already work in the HQ of Ford and GM in the US (and vice versa of course) and how successfully German and US automotive design centres work together across the continents.

Since the early 1980s, US and German business cultures have been working increasingly well together. Both combine pragmatism and ambition in complementary ways.

The most important factor is that both are open to the better of each other's approaches, which is a prerequisite for successful globalisation.

In contrast to the strictly centralist attitude prevailing with some competitors, this multi-cultural approach may prove to be most productive.

Hanns Günther Bollig,
senior partner,
Automotive Advisors & Associates,
Gustav-Mahler-Str 5,
40724 Hilden,
Germany

Duisenberg has qualities of independence

From Professor Peter Coffey.

Sir, I congratulate you for publishing Professor Lars Calmfors's timely and succinct letter on the European Central Bank decision (May 5).

In particular, I share Prof Calmfors's concern that the decision "goes against the very heart of granting the bank independence from political interference".

In this connection, I believe that we must also be concerned about the credentials of the two candidates for the presidency of the ECB, Wim Duisenberg and Jean-Claude Trichet. While, it is true, both display "similar anti-inflation credentials," Prof Duisenberg has, during his tenure at the European Monetary Institute, demonstrated clear qualities as an independent European.

In the case of Mr Trichet, although he has been a very good Governor of the Banque de France, his conduct during the currency crisis of 1992-93 (reported in detail in your newspaper) – when he did have a European responsibility – left much to be desired.

Rightly or wrongly, one suspects that his behaviour at that time as a *grand commis* of France led to his promotion to the governorship of the Banque de France.

One may thus conclude that, apart from the disappointing and unacceptable pressure exercised by President Chirac last weekend in Brussels, the record of the two candidates in recent years suggests that Prof Duisenberg should complete a full eight-year term as president of the ECB.

Peter Coffey,
professor and holder of the US West Chair,
University of St Thomas,
1000 LaSalle Ave,
Minneapolis MN 55403-2005,
US

Unusual threat to pedal power in Indonesia

From Mr Bill Keeling.

Sir, In his article "Big price hikes risk more unrest in Indonesia" (May 5), your correspondent Sander Theones says that a 71 per cent petrol price increase will hurt private transport operators and "Drivers of bicycle, scooter and motor taxis said the rise would wipe out two-thirds or more of their earnings". Scooters and taxis, maybe. But bicycles? Or do Indonesia's "Becak" drivers know something that I do not after all these years of using my legs?

Bill Keeling,
Dresdner Kleinwort Benson,
Jakarta,
Indonesia

Dome gas sets a bad example

From Mr C. I. Rose.

Sir, You report ("US under pressure on green protocol", April 30) the continuing reluctance of the US to follow European moves to reduce emissions of greenhouse gases.

John Prescott, the UK deputy prime minister, is quoted as saying "the developed countries had to lead the way" at Kyoto. How peculiar then that the UK's high profile Millennium Dome is currently due to be cooled with 7 tonnes of HFCs, one of the most powerful greenhouse gases slated under the Kyoto climate protocol.

In so doing, the UK government is neglecting British industrial alternatives which do not require greenhouse gases. Do as we say, not as we do?

C. I. Rose,
programme planning and deputy executive director,
Greenpeace UK,
Canonbury Villas,
London N1 2PN, UK

Unstinting support

From Mr Nicholas Payne.

Sir, Contrary to the impression given by Andrew Clark in his review of our *Parsifal* (April 27), Plácido Domingo participated fully in its preparation. Despite the extraordinary demands of his international schedule, my experience of him in London is that he gives unstintingly of his concentration in rehearsal and is an exemplary team player in performance.

Nicholas Payne,
director of the Royal Opera,
Royal Opera House,
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PERSONAL VIEW RICHARD DALE AND STEVE THOMAS

Different kind of risk

Ratings agencies are not entirely to blame for their failure to predict Asia's financial crisis

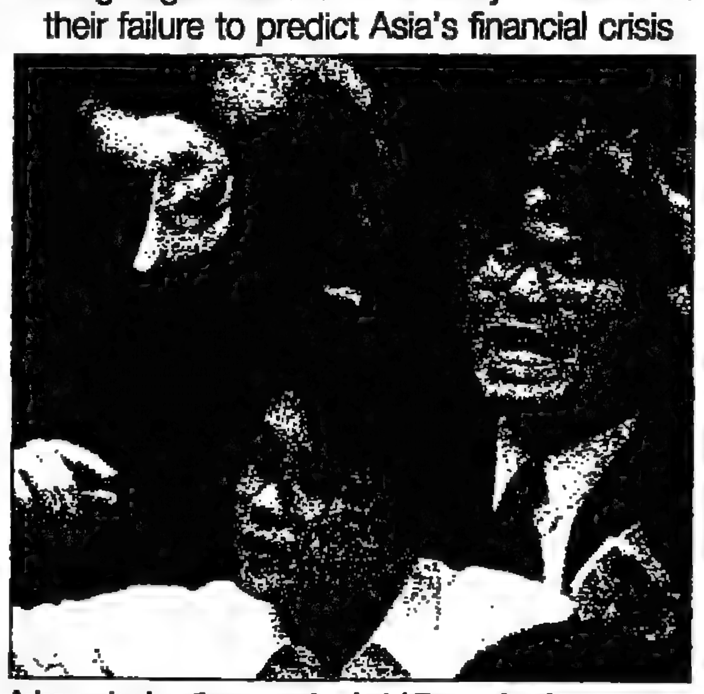
The convulsions in south-east Asia raise several important issues for the politicians and economic policymakers of the region. But they also pose some pretty tough questions for the ratings agencies, which have been accused by many of failing to spot the glaring warning signs of impending crisis.

Critics have asked whether agencies' ratings are accurate and have suggested that the agencies should be held more accountable. They wonder whether ratings stabilise or destabilise financial markets and whether agencies should charge issuers or investors for the ratings they provide.

To answer these questions, one must start by looking at what agencies do. Credit ratings attempt to measure the default risk of specific securities. The success of a ratings agency can thus be assessed against historical default rates on rated debt issues. Evidence from US corporate bond defaults going back several decades indicates that both Standard & Poor's and Moody's provide a reasonably accurate rank-ordering of *relative* credit risks; lower rated bonds default more often than higher rated bonds.

A 1994 study by the Federal Reserve Bank of New York has confirmed that "ratings usefully order credit risks at any point in time". On the other hand, the same study suggests that ratings are a less reliable guide to *absolute* credit risks in that default probabilities associated with specific ratings have tended to drift over time.

A closely related issue is whether credit ratings provide new information to financial markets or merely compound existing information. Of course, even if ratings do *not* provide new information, they may still offer a useful summary of available information. This on its own can be useful to users. Certainly, there is a close correlation between corporate bond yields and ratings. This may simply mean that the markets and the agencies have a shared view of credit risk based on common information. However, evidence based on the



Asian panic: do ratings agencies destabilise markets?

responses of both the markets and financial analysts to rating changes suggest that agencies do provide new information, particularly in relation to debt issues by smaller companies.

The current controversy over ratings has tended to focus on emerging market sovereign debt. Such ratings are particularly important because they establish a ceiling for ratings of all other borrowers of the same nationality. There is a difficulty here because such sovereign ratings are relatively recent, and no sovereign issuer has yet defaulted on rated bonds. There is therefore no default history against which to assess the agencies' performance.

Nevertheless, a 1996 study by the Federal Reserve Bank of New York concluded that the market broadly shared the major rating agencies' relative rankings of sovereign risk. It also found that the agencies appeared to provide new information, at least for non-investment grade issues.

Taken overall, the evidence suggests that ratings agencies do a reasonable job in assessing default risk, and that this is recognised by financial markets and reflected in yields. However, a number of other criticisms have been levelled at the ratings industry.

First, it has been suggested that by charging issuers for ratings (a practice that began in the 1970s) the independence of the agencies is jeopardised. Against this is the argument that agencies live by their reputation. The 1994 Federal Reserve Bank study found that "over the years, the discipline provided by reputational considerations appears to have been effective". A later study by the same bank found little evidence that issuers shopped around for more favourable ratings.

Second, it is sometimes suggested that ratings agencies are not accountable. Yet in providing a service to the financial markets, they are accountable to those markets in the same way as other service providers. As one commentator puts it: "Every time a rating is assigned, the agency's name, integrity and credibility are on the line, [open] to inspection by the whole investment community."

A third criticism of rating agencies is that financial markets tend slavishly to follow their credit assessments. If this were true, it would be a criticism not of the agencies or their ratings but of the markets. But in any event, more recent criticism of the industry has suggested the opposite, namely that regulatory use of credit ratings is inappropriate because "the market does not seem to give the weight to these agencies' judgments that such treatment might suggest", as a recent FT article put it.

Finally it has been suggested that ratings may lead to "herding" behaviour, thereby increasingly volatility of capital flows to emerging markets. The validity of this assertion depends on whether ratings changes lead or lag market events. The 1997 OECD study of sovereign ratings found that, because negative rating reviews had pronounced market effects, "the sovereign rating industry has the *potential* to help damp excessive private capital inflows into the emerging markets with negative rating announcements". However, evidence was not available on whether such announcements would be timely enough to have a stabilising effect.

This takes us back to the east Asian debt crisis where the speed and magnitude of ratings downgrades has been unprecedented. The problem for the ratings agencies is that this was a liquidity crisis rather than a solvency crisis; it originated in a mismatching of liabilities rather than from the total debt burden of the countries concerned. Predicting such a crisis is extraordinarily difficult, though some agency reports did point to the liquidity dangers posed by currency and maturity mismatching by east Asian countries.

Assessing liquidity risks becomes even more daunting when, as the International Monetary Fund has acknowledged in a recent report, the private sector "may be too willing to lend because it knows that a country in trouble will go to the Fund rather than default".

In short, the real problem with capital flow volatility is not the ratings agencies but the fact that the cross-border lenders do not bear the costs of dealing with the liquidity crises that are of their own making. Once that problem is addressed, investors, lenders *and* credit ratings agencies will be in a better position to assess sovereign default risk.

The authors are professors at Southampton university

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FINANCIAL TIMES
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Friday May 8 1998

Microsoft ain't broke

US trust busters, arguing over what to do about Microsoft, may well feel they are damned if they do and damned if they don't. On the one hand, the software empire founded by Bill Gates seems a classic example of monopoly power. Its returns to shareholders are much greater in real terms than those of Standard Oil before it was broken up.

On the other hand, Microsoft is generally popular with customers, corporate and private, and has beaten off many competitors by simply being much better. And attacking Microsoft would hurt shares in the broader market too – an action unlikely to be welcomed by the half of Americans who hold equities.

Competitors often claim that Microsoft uses its monopoly over personal computer operating systems to freeze out other suppliers' applications software, particularly internet browsers. But are these complaints robust enough to warrant the wide-ranging anti-trust suit against the corporation now being considered? The US justice department must decide in the next few days if it is to stop Microsoft going ahead with the launch of Windows 98, its new operating system integrated with an internet browser.

Apart from technical difficulties, disentangling the browser from Windows 98 would raise a much broader question about the nature of Microsoft's monopoly. A decade ago a computer's operating system was an engine in the background quite separate from the applications software which made a computer useful. But the boundaries have long been blurred.

Users now expect many extras, such as a simple word processor, card index, communications routines and even a programme for painting pictures. And the marginal cost of providing them is very low. As computers continue to improve at a breakneck speed, this process will not end with internet browsers.

This progressive integration of different kinds of software make a break-up of Microsoft, as was done to Standard Oil and AT&T, impractical – and unattractive. The company continues to be vigorous and innovative in exploiting new developments. Its profits may be high, but they are not guaranteed forever in this fast-changing industry.

There are other good economic reasons for the justice department to proceed carefully. The huge economies of scale in the software industry may result inevitably in some natural monopolies. This has made Microsoft many enemies. But any legal attack by the authorities should be grounded in serious competitive abuses, rather than in a vague sentiment about the dangers of monopoly.

Certainly, Microsoft needs to know that the arm of the law is constantly at its shoulder; but if it is brought to book, this should be for specific abuses such as a consistently anti-competitive pricing strategy or unfair sales conditions aimed at putting rivals out of business. Beyond that, there may also be a case for enforcing more transparency in accounting for different parts of its business. It could then be seen where monopoly profits are generated – and how these relate to previous investments and risks.

Microsoft probably does have too much power in some sectors. But the industry in which it plays such a dominant part is enormously important to the US. It ain't fundamentally broke and an army of lawyers arguing for years would not be the right way to fix it.

Wim's way

If Wim Duisenberg, the newly-appointed head of the European Central Bank, gets his way, it will be 2015 before we see the minutes of the first meeting of the ECB council. Yet at the European Parliament hearings yesterday, he also insisted on the importance of transparency. Are his deeds failing to match up to his words?

There are two good reasons why the ECB should aim for as much openness as possible. First, as an unelected body, it has a responsibility to show that its actions serve the public interest. Second, effective communication will make the ECB's actions more predictable and hence will tend to make the European economy and markets more stable.

In some ways, Mr Duisenberg made a good start in this direction yesterday. His speech was clear and candid, pulling no punches about his dissatisfaction with the deal to appoint his successor and he gave a clear indication of how he would conduct monetary policy.

At the same time, though, he ruled out the publication of ECB council minutes for 16 years. However, this is less unreasonable than it first appears. Full minutes, including details of how each member voted, might actually damage the working of the ECB, because of the way its council has been structured.

Eleven of the ECB council's 17 members will be heads of national central banks. Making their voting decisions public would bring out the tension between national and European interests. Say, for example, France was in a recession while the rest of Europe boomed. The French central bank head, knowing that his views would be published, would be faced with two unpalatable choices. He could either vote to keep interest rates high, which would lead to intense criticism at home; or vote to reduce them, which would make the ECB council look politicised.

Mr Duisenberg, though, can still do more to improve the ECB's transparency. He should initiate a regular report with analysis and forecasts of the European economy. Policy changes should be accompanied by an explanation. And, even if singling people out would be damaging, he could still publish minutes without attributing remarks or revealing the final vote. Candid speeches are welcome, but the transparency of the ECB is not yet assured.

Car culture

The proposed merger between Daimler-Benz and Chrysler will probably spawn more words on the subject of corporate culture than any other deal this year, perhaps even this decade. And certainly no one should underestimate the potential difficulties in a gigantic cross-border marriage of two such different outfits. Yet it could be argued that the issue of culture is rather less important in the case of the putative Chrysler-Benz than in some other recent high-profile mergers.

For a start the Germans are very clearly in the driving seat, which means that the outcome of any clash is known to be a foregone conclusion unless it concerns matters on which reasonable people can differ regardless of nationality. Equally important, Daimler boss Jürgen Schrempp is a noted enthusiast for the US brand of capitalism, complete with flexible labour markets, stock options and a focus on the core business.

That makes Chrysler-Benz a less fraught combination than might result from other US-German mergers. Mr Schrempp will no doubt be happy to see the remuneration of Daimler's top executives raised to US levels, which will remove an obvious bone of contention. And he may not be instinctively hostile to his US colleagues' suggestions that hurdle rates of return at Daimler are far too low to permit a productive use of capital.

With the enlarged group being controlled by a German two-tier board, the Americans will find themselves in an unfamiliar environment. Yet the boardroom language will be English. And because the two companies are largely complementary in geographical and product terms, the scope for trouble at lower levels will not be as great as in a one-country merger driven by the need to cut costs.

Among the better reasons for thinking the merger might succeed is that its objectives, which have a clear industrial logic, look both simple and attainable. Compare and contrast with the conglomerate Travelers/Citicorp merger where the added value has to come from cross-selling products around the group, a trick that few have pulled off.

Success is not guaranteed. But the Germans and Americans are better than most at running large companies. Their cultures may be more complementary than appears at first sight.

Wheels set in motion

Haig Simonian looks at the way in which the 'merger made in heaven' could shake up the car industry around the world

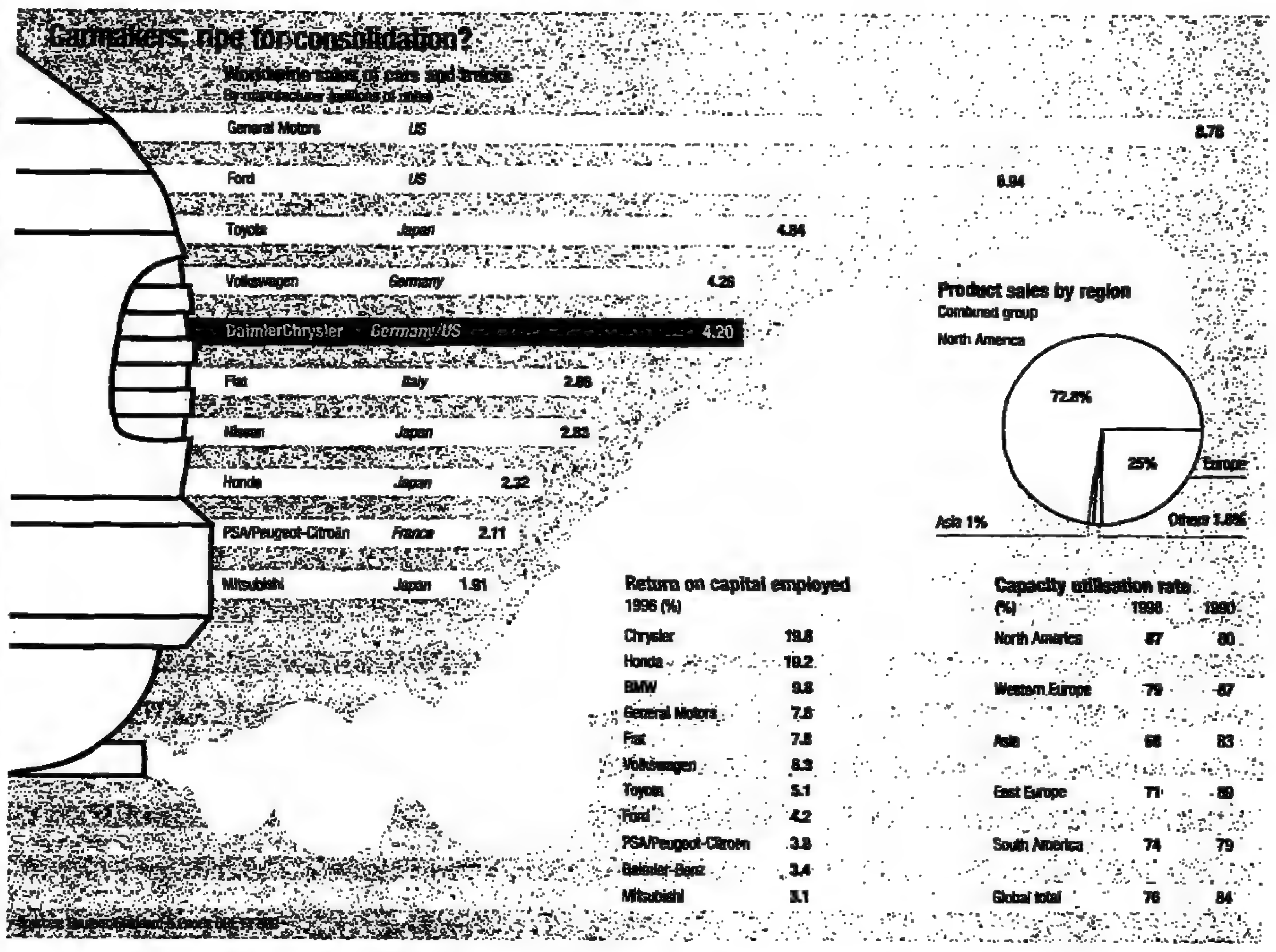
In the city that is home to three of the world's five biggest carmakers, the planned merger of local company Chrysler with Daimler-Benz of Germany has stunned rivals for its size, scope and audacity.

But as astonishment turned into analysis in Motown yesterday, industry executives began to address wider questions. How will other car companies react? Is this deal a one-off or will it affect the business elsewhere, especially outside the US? And what implication will it have for that bane of the vehicle industry, massive worldwide over-capacity?

Many are predicting a wave of consolidation among other carmakers, much like the flood of banking mergers that has swept the US. "I think it's going to continue," says J T Battenberg, president of Delphi, the world's biggest car components group, controlled by GM. "The consumer is seeing price reductions for the first time in years. The pressures on the motor industry are intense. There's a tremendous need to reduce costs."

Indeed there is.

The European Commission reckons there is up to 7m units of spare capacity in Europe alone. Matters have become even more acute in Japan. Car demand, depressed by the weak economy, has plummeted in the past year. And exports, which have in the past been used to compensate for soft demand at home, have been drastically curtailed by the economic crisis in Asia.



Pressures like these are causing other carmakers to think that the Chrysler-Daimler merger – which in some ways is untypical of the industry because the two companies do not compete in geographical or product markets – could nevertheless prove the start of a wider consolidation. "Should it happen? Absolutely yes. Will it happen? I think eventually it will because the business logic is overwhelming," says Dick Snell, chairman of Federal-Mogul, a leading US components group. "Will there be resistance? You bet."

Carmakers' reluctance to cut capacity is legendary. Although a few plants have closed recently, overall capacity has, if anything, increased, notably in Europe. Renault's decision last year to shut its Vilvoorde plant in Belgium, and moves by Ford and GM to trim output have had some effect. But they have been heavily outweighed by expansion among Japanese "transplants", capped by Toyota's decision last December to build a new plant in northern France for up to 200,000 small cars a year.

During this time, US markets have offered some consolation. Five strong years of car sales at or around 15m units a year and booming demand for beefy sports utility vehicles has alleviated overcapacity among the domestic "Big Three" and boosted imports from Europe and Japan.

But the relative strength of sales in the US and expanding markets in eastern Europe have not been enough to eat into the global capacity glut. Nor have they been enough to isolate GM and Ford, the world's number one and number two carmakers, from the problems in Europe, where both companies are among the market leaders.

Even an innovative edge, which once upon a time enabled successful companies to find new markets, is no longer the boon it used to be. New technology and efficiency gains have cut the time taken to develop a new car to about two years. That has sharply reduced the comparative advantage of even the most innovative carmakers, such as Honda or Renault, which have spotted new niches in the market. Renault's current bumper margins on its highly popular mid-sized Mégane Scénic people carrier – the first vehicle of its type – will soon be eroded by a string of copy-cat cars from other manufacturers.

At the same time, competition has risen remorselessly because of new entrants. First South Korea, then Malaysia and Indonesia, and now India and China have hatched plans to develop their own motor industries. Exports are a central part of their strategies. While economic turmoil has clipped many of the Asian manufacturers' wings, the relative strength of the Chinese and Indian markets mean their plans remain on track.

The arrival of new, low-cost entrants has depressed prices. In Europe, the world's most competitive car market, analysts expect prices to be squeezed harder once a single currency starts to expose inconsistencies in national pricing policies and prompts buyers to shop around more.

So how on earth does one deal with such a trunkload of problems? The obvious way is to cut your own production costs. That has already taken place in product development and manufacturing as carmakers have sought to become leaner and more efficient. Another technique, to which many are now turning, is to squeeze other companies in the supply chain, both retailers and distributers at one end, and suppliers at the other. With parts and materials accounting for about two-thirds of the cost of a vehicle, even a small discount can make a big difference given the volumes involved. Pressure on pricing – often combined with the need to seek economies of scale – has already prompted a massive consolidation among the world's component makers.

But the car companies have generally shied away from following the example of components in seeking the most obvious way of cutting costs and tackling overcapacity: consolidating among themselves. Those takeovers and mergers that have occurred in recent years have almost invariably involved distressed or fringe producers. In the UK, for instance, the sales of Jaguar to Ford, Rover to BMW and, now, Rolls-Royce Motor Cars, have invariably involved companies too small or too troubled to survive independently.

Should consolidation happen? Yes. Will it happen? Eventually. Will there be resistance? You bet

Much the same is now happening in Korea, where heavy debt loads and collapsing sales have prompted carmakers to join forces. After buying SsangYong late last year, Daewoo is now in talks to sell a slice of its own shares to GM; Kia, the country's second biggest carmaker, is in receivership and likely to be sold to either Hyundai or Samsung, with Ford, which has about 17 per cent, likely to play a significant role.

By contrast, mergers of equals in the same region – which would lead to significant capacity cuts – remain rare. Two broad reasons explain that unwillingness. Management and, sometimes, shareholders, have been reluctant to cede control. The planned marriage of Renault and Volvo, for instance, collapsed as the Swedish group's shareholders got cold feet about coming under the dominance of a state-owned French company.

Concern about capacity cuts has been the other big reason. This has often been compounded by union antipathy to job cuts, tacitly encouraged by governments. Carmaking is a crucial source of employment, both directly and through associated industries, such as components. It is also politically important: as with national airlines and other symbols of economic prowess, governments have been keen to encourage carmakers to expand, often with the bait of generous investment grants.

The fact that Chrysler and Daimler-Benz are largely complementary in products and geography, and are both producing highly popular vehicles at virtually full steam, means their merger will not require painful plant closures. That makes it much more likely to come off.

"I think it's a great deal. Both companies will come out stronger as a result of this merger. The business logic is hard to beat," says Mr Snell of Federal-Mogul, which works closely with both companies.

So while this particular merger may be made in automotive heaven, it is not necessarily typical of the deals that will be required to rescue most carmakers from their present plight.

That sort of consolidation is more urgent in Japan, where the depressed economy and slowdown in domestic demand have opened a chasm between Toyota and Honda, by far the two most successful carmakers, and the rest. Profits at Nissan, barely recovering from ill-advised expansion in the late 1980s, and Mitsubishi are under severe pressure, while the outlook for smaller Suzuki is unclear.

Some contraction has already come. Ford is taking control of Mazda, the Japanese carmaker in which it had a long-standing share, by raising its stake to about 34 per cent. Analysts expect Mazda's future products to be integrated much more closely with Ford's range than in the past. Toyota has also taken some steps to raise its shareholdings in Daihatsu, the mini-car specialist with which it is linked, and the Hino trucks group. However, those measures are probably not enough to cure the endemic problems of overcapacity and poor profitability in the country's motor industry.

In Europe, the prospect of rationalisation is additionally overclouded by nationalist interests. Fiat's three attempts over the past three decades to ally with another carmaker have invariably foundered on the question of management control. Talk of a French merger between Renault and Peugeot-Citroën is invariably quashed by both sides on the grounds that it would be politically unacceptable and trigger a labour revolt.

Such reactions suggest the only deals that will get off the ground will be those, such as Chrysler-Daimler, which minimise the pain while maximising the potential gains. That points to more cross-border transactions, where the overlap between partners is more limited, or between groups, such as Chrysler and Daimler, with sharply differing products.

There are not so many of those. The only alternative is for politicians, manufacturers and their workers to grasp the nettle and accept that matters will have to get a deal worse before they get better.

OBSERVER

Man bites Mighty Mouse

Carl Hiaasen has taken an important step towards what he says is his life's dream – to be banned forever from Disney World. The author of such outrageously funny thrillers as "Skin Tight" and "Double Whammy" has published an angry polemic, the tone of which is captured in the title: "Team Rodent: How Disney Devours the World".

Hiaasen, a columnist on the Miami Herald, admits that part of his rage comes from what he thinks Disney has done to his native Florida. The company, he says, is by far the most powerful private entity in the state: it goes where it wants, does what it wants, gets what it wants. "Merely by showing up, Disney had dignified blind greed in a state pioneered by undignified greedheads."

But that's just the start. The Mighty Mouse also stands accused of spreading a kind of bland homogeneity across the US and the globe. Even New York's Time Square, formerly the world headquarters of sleaze, has been subjugated by the gleamingly wholesome presence of the Disney Store. But contrary to the company message, not all birds sing sweetly, not all lakes are blue, and not all islands have sandy beaches. Hiaasen's best hope now appears to be that the creatures in Disney's new Animal Kingdom will behave badly in front of tourists.

One gracious concession: Hiaasen acknowledges that Disney boss Michael Eisner is probably not the Antichrist – he's just "a guy who honestly doesn't see the whole picture".

Even so, attacking Disney in this way is the most terrible heresy, which will surely not go unpunished. Sounds like six months in a Goofy suit, at least.

Ivory towers

Quebec has always been an island of French language in a continental sea of Anglophones. The province requires that commercial signs are French and that almost all children are educated in the Gallic mother tongue. But Kelly Levis, an Anglophone Quebecker, was not at all *heureuse* when Quebec's civil registrar said she couldn't name her daughter "Ivory".

"They told me I was naming her after a bar of soap," says Levis. The authorities also mentioned that the name doesn't translate into French – a move which soon had English-rights activists rallying to the cause. Lawyer Brent Tyler threatened to sue the government, holding up the affair as another example of heavy-handed tactics by Quebec's language police.

Under such pressure, the registrar relented and this week decided that seven-month-old Ivory wouldn't have to change her name after all. Quebec says the issue was never language, but simply protecting the child from ridicule. Among the other monickers disallowed for being just too silly: Cowboy, Boom-Boom, Lucifer and C'est-Un-Ange (She's an angel).

Plain speaking

Kazakhstan's president Nursultan Nazarbayev just can't leave well alone. Last year he caused a stir by moving the country's capital from Almaty, which he reckoned was over-crowded and prone to earthquakes, to Akmola, 700 miles to the north. Now, just to keep cartographers on their toes, he's decided that he doesn't like the name: Akmola is being re-named.

Appropriately for a remote city on the Central Asian steppe, Akmola means "white tomb". But Nazarbayev says media grumbling about the cost and upheaval of moving have already given the place a bad image. So it's time for a fresh start and he's chosen a name with which no one can quibble: Astana, the Kazakh word for "capital".

Rain man

As thick smoke from fires across the border in Indonesia threatens to darken Malaysia's coming-out party, the Commonwealth Games, Kuala Lumpur is willing to try just about anything to disperse it. The Cabinet is directing all high-rise buildings in the Klang Valley that surrounds the capital to install giant roof-top sprinklers through which water can be pumped to dampen down the smoke.

Never mind that Malaysia is also suffering from drought, with much of Klang Valley receiving water only on alternate days. No problem, says science and technology minister Law Hieng Ding. Building owners can draw on surface water for "ammunition" with which to fight the smog. "This is," he says, "like fighting a war".

Shame that most of the smoke is out of range. Next there'll be rolling out the water canons.

Ring of truth

UK insurance outfit Direct Line has for years used a little red telephone-on-wheels in its advertising. Need insurance? The red telephone will come racing to your aid with a cheerful tootle.

But that tootling ring has turned out to be frighteningly expensive for TBWA, Direct Line's London advertising agency. It has just agreed to pay £475,000 ($793,250) to settle a lawsuit brought by Simon Franglen, the musician who says he composed the "cavalry charge" ring. That's £47,500 a note. Franglen acknowledges that it isn't the most complicated piece of music he's ever written – to the untrained ear it sounds much like any other bugle call – but he insists it was still his own work.

The advertising agency, bless it, had claimed Chris Wilkins, the man who dreamt up the Direct Line advertisements, was the real composer of the annoying little ditty. On the basis he'd hummed it to Franglen first.

The Financial Times

50 years ago

Increased Oil Output
Not so very long ago it was thought that the development of the vast Middle Eastern oilfields would undermine the world oil price structure. This fear, however, has gradually receded as a result of the rapid and unexpected expansion in demand throughout the world for refined petroleum products. Under current programmes, Middle East production is expected to be increased to an average of 1,099,000 barrels daily this year to 2,203,000 barrels daily by 1956, the sharpest increase of any area in the world. Expansion of Middle East oil output will "free" the United States and the Caribbean of the need to supply Europe and other parts of the Eastern Hemisphere, and leave Western Hemisphere supply available for meeting rising demands in the United States.

Oil From Iran
A further stage in the Anglo-Iranian oil company's plans for the building of the oil pipeline from the Persian Gulf to the Mediterranean has been taken by the formation of Maritime Refineries as a private company with £100 of capital. The new company now announced will be responsible for the construction of a refinery at the Mediterranean end of the pipeline.

FINANCIAL TIMES

FRIDAY MAY 8 1998

THE LEX COLUMN

Jürgernaut

On the face of things, the mechanics welding together Daimler-Benz and Chrysler might seem to have botched the job. Having two chiefs and two headquarters is certainly less than ideal. However, since Chrysler's Robert Eaton has stated he will stand down after three years to let Jürgen Schrempp run the show, a SmithKline/Glaxo-style collapse is unlikely. Indeed, keeping Mr Eaton on board could act as a stabilising force that helps the two cultures blend. And German political realities probably made the idea of moving Daimler to the US a non-starter.

Still, basing decisions on politics rather than commercial logic has its costs. The need to persuade Chrysler's shareholders to hold ADSs and live with the unwieldy co-determination structure of German boards partly explains why Daimler will end up paying a premium of around 40 per cent. But it is Chrysler's scarcity value – in being the only US car company likely to do a deal – that has pushed its valuation up. After all, Fiat or BMW could just as easily have taken Daimler-Benz's place, albeit in a less senior role.

Daimler is paying out a premium of around \$10bn to Chrysler shareholders as a result of tilting the exchange ratio in their favour. On the basis of the \$3bn annual cost-savings envisaged within 3-5 years, recouping the premium looks possible; on a multiple of 10, the taxed savings of \$1.8bn, are worth some \$18bn. That still leaves perhaps \$8bn for Daimler's shareholders.

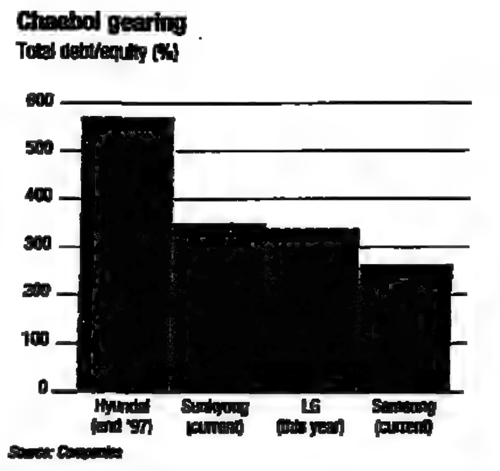
Chrysler's shareholders are clearly getting the better side of the bargain. But that is not to say it is bad for Daimler shareholders. Its own highly valued shares mean it has picked up a relatively cheap deal. At just 5 times earnings before interest, tax and depreciation, the deal will be immediately earnings-enhancing.

Nonetheless, Mr Schrempp will have to work hard to maximise the potential value-creation – while avoiding the diseconomies of scale and culture clashes that could so easily dog this merger. Being more ambitious on the cost side would be a start.

Rolls-Royce Motor Cars

So Volkswagen has finally stopped huffing and puffing in the wings and come centre stage with a £430m bid, 26 per cent more than BMW's. Suspicions that VW was simply blustering to queer its rival's pitch or trying to justify its rights issue have been dispelled. Nonetheless, the company's investor relations could still do with a trip into the twentieth century. And just because it has come out with a bid does not make this the right move. Managing a super-luxury brand will require heavy investment in unfamiliar territory. Building up Audi looks a better bet.

If BMW returns to the fray – backed by the cost advantage it has from its engine supply deal – VW should think hard before re-bidding. At 16 times 1997 operating profits, Vickers is already getting a full price.



Chaebol

At last, South Korea's *chaebol* get serious. Four of the big five have unveiled plans radically to trim their unwieldy empires. Debt:equity ratios will be slashed to meet the government's 200 per cent target by 2000. More than \$20bn in foreign capital is expected to be raised through disposals, new investment and the like. The snag is that we have heard all this before, and little has changed. Will it be different this time?

There are some reasons for thinking so. The gravity of the current crisis is unprecedented and president Kim Dae-jung is not a friend of the *chaebol* like some of his predecessors. Legislative changes ending cross-group debt guarantees and allowing hostile takeovers also make for a very different backdrop. But while the smaller, domestically oriented *chaebol* are being forced to take drastic measures, the big ones, fine words notwithstanding, are dragging their heels. Even if this were not so, foreign investors have shown little appetite for supplying the sort of funds the *chaebol* expect to garner, especially with unions limbering up in the background.

Ironically, union militancy may yet hasten restructuring if the government cracks down on the *chaebol* as a means of buying off the unions. The snag for the president, though, is that serious *chaebol* reform will result in huge job losses, fuelling further militancy. Balancing these two will require Solomonic wisdom.

Seagram

Seagram has been much talked of as a bidder – most recently for the UK's EMI. Turn the thought around and the Canadian drinks and entertainment combine makes an attractive break-up target. It owns some powerful consumer franchises, but poor deals and a lacklustre record – it has just reported an underlying loss for its third quarter – have left its shares trailing.

Instead of paying a premium for EMI, for instance, Seagram could sell its smaller Universal entertainment business, worth perhaps \$3.6bn on a stand-alone basis, to EMI or PolyGram. That way Seagram's investors would collect the premium, clawing back some of what they lost when Seagram paid \$5.7bn for Universal in 1995. The spirits business, valued at around \$9bn on a stand-alone basis, could also be worth more if it was spun off and linked with Allied Domecq. Even if a full merger was tricky, a joint distribution agreement could save \$100m-\$200m a year. Seagram also has a hidden jewel in its market-leading Tropicana juice business, valued at around \$4bn.

Add in its \$5bn stakes in Du Pont, Time Warner and USA Networks, subtract \$3bn of debt, and Seagram's break-up value would be over \$18bn – or 25 per cent more than the current market capitalisation. With a bid premium, the upside would be even greater. What a pity that the dynastic Bronfmans, who control Seagram, show little interest in shareholder value.

Radicals supplying arms to Kosovo, diplomats say

By David Buchan, Diplomatic Editor

Radical foreign groups, some backed by Iran, are supplying arms to the Kosovo Liberation Army (KLA) in its fight against President Slobodan Milosevic's Yugoslav government in Belgrade, according to US diplomats and western intelligence officials.

At the same time, speculation is mounting that Mr Milosevic may accept a visit by Felipe González, the former Spanish prime minister, who is the international community's designated mediator in the crisis affecting the troubled ethnic Albanian province in Serbia.

Mr González is in Brussels today to talk to the European Union and Nato about his mission, which so far has been blocked by Mr Milosevic.

Western diplomats in Belgrade report "straws in the wind" that Mr Milosevic, perhaps alarmed by foreign involvement in the intensifying war in Kosovo, may soon ask Mr González to facilitate the start of negotiations between the Yugoslav government and ethnic Albanians in Kosovo, though not to play a full mediating role.

Further sanctions on Yugoslavia could be agreed at this weekend's meeting in London of foreign ministers of the Group of Eight, which includes the world's leading industrialised nations and Russia.

The six powers involved in the Contact Group on the Balkans – France, Germany, Italy, Russia, the UK and the US – have already threatened to impose an investment ban on Yugoslavia tomorrow if Belgrade has not by then pulled back its army and entered talks with the ethnic Albanians.

Earlier this week, Robert Gelbard, the US special envoy to the Balkans, complained to Congress of "large-scale deployment of [Yugoslav] artillery and tanks" along Kosovo's border with Albania. He said this was at odds with "Belgrade's stated desire to prevent or stop cross-border smuggling of weapons".

Mr Gelbard went on to warn that "Belgrade's brutal tactics" had helped the KLA "find an increasingly sympathetic audience in Kosovo, among the Albanian diaspora in Europe and the US, and among radical groups from Iran to Chechnya looking to make inroads into Europe".

According to western intelligence, the KLA is now getting help from the pro-Iranian Mujahideen groups which backed the Bosnian Moslems in the 1992-95 war in Bosnia.

The KLA's access to a wider network could also enable it to open up other fronts, such as terrorism against Serb targets in Belgrade, one official warned.

Nato is edging closer to responding to Albania's appeal for the western alliance, which is heavily involved in policing neighbouring Bosnia, to deploy troops on its soil as well.

Nato said earlier this week that it was considering a joint military exercise in Albania, as well as enlarging an exercise planned in Macedonia in September.

Yesterday it said it was also examining "a range of options that go beyond exercises" – but did not elaborate.

China disowns report hinting at devaluation of renminbi

By James Kynge in Beijing

Asian currencies fell sharply yesterday after a report on the internet that a Chinese central bank official had suggested Beijing would come under increasing pressure to devalue the renminbi (yuan) in the second half of this year.

The Indonesian rupiah, already in trouble as a result of three days of riots and looting in the city of Medan and a prolonged banking and financial crisis, tumbled to about 10,000 to the dollar in early trading, 10 per cent down from Wednesday's close.

It later recovered ground after Indonesia's central bank raised key interest rates from between 4 and 12 per cent.

Other Asian currencies which suffered sharp early losses before recovering later included the Malaysian ringgit and the Thai baht.

Yi Gang, deputy secretary-general of the monetary policy committee of China's central bank, denied having anything to do with the report, which was published on the internet site of the Australian Financial Review magazine.

He said yesterday he had not co-operated in the preparation of the academic paper, which was summarised in the report on the Australian Financial Review's web site.

"When I heard of this report today I was very surprised," he said.

He said the paper had been written by Song Ligang, an academic with the Australian National University, who was identified in the report as the co-author. Mr Yi said Mr Song appeared to have incorporated some ideas from recent publications by Mr Yi.

The Australian Financial Review's report said the paper had been delivered at an Australian National University conference on the Asia crisis held last Tuesday.

The academic paper said: "Given the market demand and supply of the foreign exchange, the RMB exchange rate will remain at the current level of 8.27 yuan to the dollar as promised repeatedly by the government, but pressure for devaluation will increase in the second half of 1998 due to the impact of the financial crisis on China's exports."

The paper added that China faced risks including a "real danger of economic disinflation which would have negative effects on the reform process".

Mr Yi said none of his recent research suggested pressure on the renminbi to devalue would intensify later this year.

He added that, in his view, despite policy challenges, China would achieve a growth rate of 8 per cent this year.

China's leaders have stated on several occasions that the renminbi will not be devalued, despite the fact that some exports, such as textiles, are suffering through the enhanced competitiveness of south-east Asian manufacturers after last year's sharp depreciations in their currencies.

Zhu Rongji, the recently appointed prime minister, told bankers in London last month that devaluation was not on his agenda.

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Indonesian students clash with anti-riot police in Jakarta despite appeals for calm from the country's military chief. Page 4 Picture: Reuters

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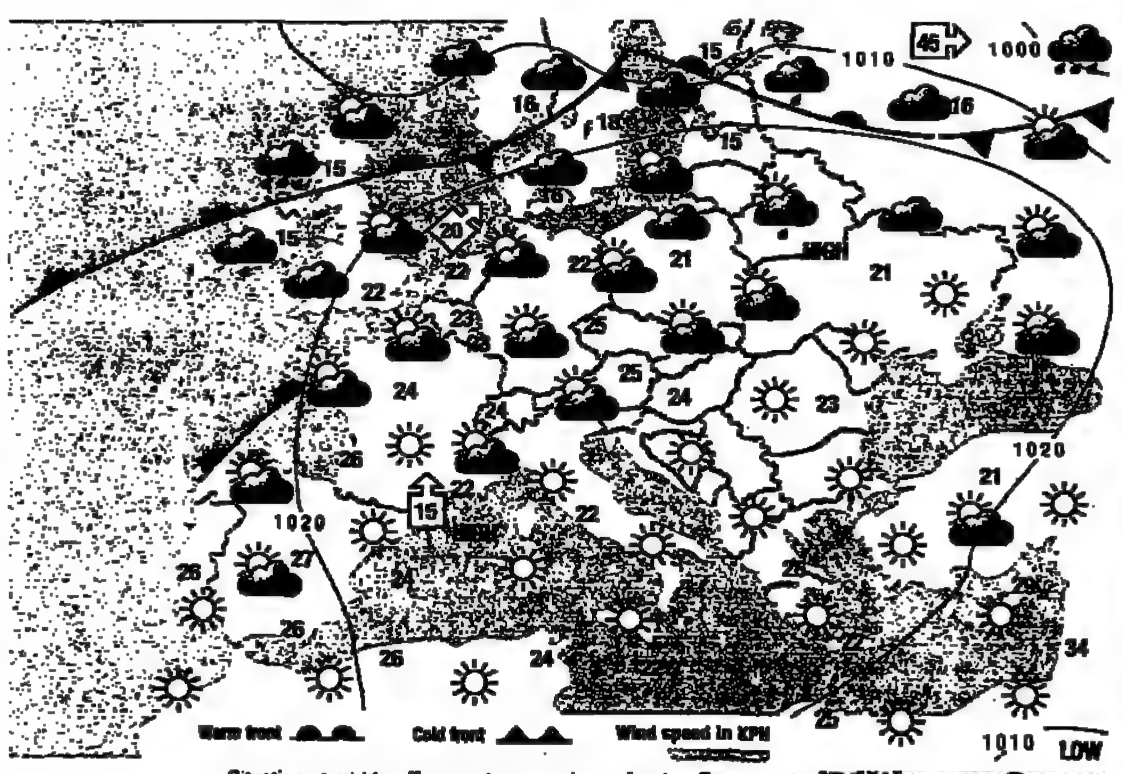
FT WEATHER GUIDE

Europe today

The northern half of Norway, Sweden and Finland will be cold with showers. Southern Scandinavia will be mostly dry with some sunny intervals, but there will be a lot of cloud. North-east Europe will be cloudy with light rain. Central and north-west Europe will be fine and warm with sunny periods. The central and eastern Mediterranean will be warm and sunny. Spain and Portugal will be mostly hot and sunny, but central and northern areas may have scattered thundery rain.

Five-day forecast

Western Europe will be warm with some hazy sunshine, but scattered thundery rain will move north from Spain. Central Europe will be mainly sunny and hot. South-east Europe will be sunny, but a cooler north-easterly flow will develop on Sunday and Monday. It will be unsettled in Scandinavia.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	35
Accra	Fair	32
Algiers	Sun	28
Amsterdam	Fair	22
Athens	Sun	28
Atlanta	Fair	28
B. Aires	Sun	21
B.ham	Fair	20
Bangkok	Thunder	38
Barcelona	Fair	20
Beijing	Fair	21
Belfast	Shower	15
Belgrade	Fair	23
Berlin	Fair	22
Bermuda	Fair	26
Bogota	Thunder	19
Bombay	Sun	34
Brussels	Fair	23
Budapest	Sun	25
C.hagen	Cloud	19
Cairo	Fair	31
Caracas	Fair	31
Cardiff	Fair	17
Casablanca	Fair	24
Chicago	Shower	13
Cologne	Fair	24
Dakar	Fair	25
Dallas	Sun	35
Delhi	Fair	38
Dubai	Sun	37
Dublin	Rain	15
Dubrovnik	Sun	23
Edinburgh	Cloud	16
Faro	Sun	22
Frankfurt	Fair	24
Geneva	Sun	24
Gibraltar	Fair	22
Glasgow	Shower	15
Hamburg	Fair	20
Helsinki	Shower	15
Hong Kong	Fair	31
Honolulu	Fair	30
Istanbul	Fair	19
Jakarta	Fair	32
Jersey	Fair	17
Johannesburg	Fair	28
Karachi	Sun	35
Kuwait	Sun	38
L. Angeles	Fair	20
Las Palmas	Fair	25
Lima	Fair	27
Lisbon	Sun	28
London	Sun	22
Lux.bourg	Fair	21
Lyon	Sun	26
Madeira	Shower	21
Madrid	Sun	27
Majorca	Sun	24
Malta	Sun	22
Manchester	Cloud	18
Manila	Fair	34
Melbourne	Fair	17
Mexico City	Sun	32
Miami	Sun	32
Milan	Sun	25
Montreal	Shower	24
Moscow	Cloudy	16
Munich	Sun	28
Nairobi	Fair	26
Naples	Sun	23
Nassau	Thunder	30
New York	Rain	20
Nice	Sun	22
Nicosia	Sun	29
Oslo	Cloudy	16
Paris	Sun	24
Perth	Shower	26
Prague	Sun	25
Rangoon	Sun	33
Reykjavik	Fair	6
Rio	Fair	26
Rome	Sun	22
S. Frsco	Fair	18
Seoul	Fair	20
Singapore	Thunder	34
Stockholm	Fair	18
Strasbourg	Sun	26
Sydney	Fair	17
Tangier	Fair	24
Tel Aviv	Fair	34
Tokyo	Rain	24
Toronto	Shower	22
Vancouver	Shower	14
Venice	Sun	24
Vienna	Sun	25
Warsaw	Cloud	21
Washington	Thunder	19
Wellington	Fair	17
Winnipeg	Sun	16
Zurich	Sun	25

هدية من الأهل

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 FRIDAY MAY 8 1998 Week 19

INSIDE

The influence of a low-profile tycoon

Behind the redrawing of the corporate map of Belgium, one figure lurks – Baron Albert Frère. In recent months he has sold his stake in Royale Belge, the insurer, to Axa-UAP, the French insurer, and his holding in Banque Bruxelles Lambert, Belgium's third biggest bank, to ING, the Dutch bank. He is the biggest shareholder in Suez-Lyonnaise, the French utilities group that wants to take control of Société Générale de Belgique, the country's biggest holding company. As well as being one of Europe's lowest-profile tycoons, he is one of the most powerful. Page 25

Travelers dominant in Citigroup deal

The list of senior managers to head Citigroup, the product of the $160bn merger of Citicorp and Travelers Group, showed two things – the two companies appear to have succeeded in finding jobs for all their most talented executives, and Travelers executives are in a position to dominate the new company. Page 23

Western makes audacious bid

In the most audacious hostile mining takeover bid for years, Western Metals, only four years old and scarcely known outside its native Australia, is bidding A$270m (US$172m) for Aberfoyle, pillar of the Australian mining establishment, formed in 1926. Western should be taken seriously. Institutions owning about 15 per cent of Aberfoyle have agreed to accept the bid if no higher one comes along – and it is a cash offer. Page 30

Election uncertainty hits Manila

The Manila stock market is reflecting the uncertainty surrounding Monday's presidential election in the Philippines with a degree of volatility remarkable even by its own standards. After heavy inflows in the first quarter, foreign funds have held back, waiting to see whether the elections are conducted peacefully and what the tone of the new administration will be. Page 40

Markets dampen motor mania

Agreement on terms for the merger of carmakers Daimler-Benz and Chrysler failed to provoke the usual takeover-driven surge in world markets. While motor stocks enjoyed the news, sentiment in most markets was fairly negative, due to concerns about the Asian crisis and the threat of interest rate rises in the US and Europe. Page 40

Birth of the euro

NEW FT STATISTICS
The FT's new statistical service covering data relating to European Monetary Union is today on page 27. The service covers equities, currencies, money and bonds.

COMPANIES IN THIS ISSUE

CROSSWORD, Page 30

MARKET STATISTICS

Volvo buys Samsung plant arm

South Korean group begins restructuring with $572m deal for construction equipment division

By Tim Burt in Stockholm and John Burton in Seoul

Volvo, the Swedish automotive group, is to become the world's third largest manufacturer of industrial excavators and earth movers after agreeing yesterday to pay $572m for the construction equipment arm of Samsung Heavy Industries, part of the South Korean conglomerate.

The deal, one of the largest foreign takeovers in South Korea, follows six months of talks between the two companies.

It places Volvo behind Caterpillar of the US and Komatsu of Japan as the largest global construction equipment supplier. Volvo said the takeover would give it a vital manufacturing base in Asia and access to a fast growing sector of the construction market.

It is paying $107m for goodwill and $465m for the net assets of the Samsung business.

Samsung is also expected to receive a further $150m in outstanding customer payments, which will be passed on by the Swedish group.

Samsung's disposal is the first significant step in a wide-ranging restructuring at South Korea's second largest company, which has vowed to sell unprofitable units to reduce its heavy debts.

Earlier this week, it said it planned to concentrate on four or five core businesses and sell assets worth $5bn to foreign investors. Leif Johansson, Volvo chief executive, described it as a "fair deal" which would give Volvo a commanding position in the European market for excavators.

Although the Samsung business has suffered several years of losses because of heavy investments in capacity expansion, product development and the creation of a global distribution network, Mr Johansson predicted it would break even this year and then see increasing profits.

Its turnover fell from $765m to $728m last year, even though unit sales rose from 7,830 to 8,201.

Volvo said it would allocate $115m – to be taken as a second quarter charge – to cover possible rationalisation of the Samsung product range and distribution network. Volvo would also make an additional $80m balance sheet provision for further restructuring.

But Volvo declined to comment on possible cutbacks in the 2,000-strong workforce at Samsung's Changwon plant, the main production site for the construction equipment business.

Industry analysts broadly welcomed the deal. They suggested Volvo might scale back or withdraw from Samsung's cranes and wheel-loader production.

Mr Johansson said the restructuring could take three years and made clear that Samsung's excavator business, – accounting for 70 per cent of sales – was the main attraction. "Excluding effects of restructuring costs, the impact on Volvo construction equipment's results in 1998 is expected to be marginally negative," he said.

Samsung is to retain 10 per cent of the construction equipment business, and will also retain its fork lift truck operation.

Last winter's financial crises in South Korea forced the government to ease restrictions on international ownership of local companies.

Yesterday Bowater of the US concluded a $210m deal to acquire the pulp and paper division of the Halla group, which went bankrupt in December.

Komatsu results, Page 24

Prudential aims to return to Europe

By Christopher Brown-Humes

Prudential, the UK's biggest life assurer, said yesterday it wanted to re-enter the European market, underscoring its ambition to be a global provider of financial services.

Sir Martin Jacomb, chairman, told the group's annual meeting that expansion in Europe was "very much on our agenda".

It reverses a policy earlier in the decade when the Pru pulled out of Italy, Belgium, the Netherlands and the Irish republic.

Sir Martin said: "Continental Europe is incredibly important for life insurance and savings markets generally." He said its attractions would increase as pressures on state social security systems intensified and individuals gained more responsibility for funding their own retirement.

But Sir Martin said acquisition prices were high and the European market was changing rapidly.

It was still unclear how national markets would be affected by the introduction of the euro, he added.

Outside the UK, the Pru has significant operations in the US, Asian and Australasian markets.

Roman Cizdyn, analyst with Merrill Lynch, said: "The Pru cannot be a global retail financial services provider without a sizeable presence in Europe.

"One option would be for them to set up some form of Unilever or Royal Dutch Shell structure with a major European financial services group."

Keith Bedell-Pearce, director of international development, said the Pru was focusing on opportunities in Germany, France, Italy and Spain.

They had large populations and the strains on their "pay as you go" pension systems were increasing rapidly.

He added that if the company went back into Europe "it would be on a larger scale than with our previous forays".

Sir Martin admitted that the group, which has more pensions mis-selling cases than any other provider, had not handled the issue well. "We fell a long way short of what was acceptable both to ourselves and the regulator.

The problems turned out to be more far-reaching and deep-seated than had previously been apparent."

Chase buys Morgan Stanley's custody business

By John Authers in New York

Chase Manhattan yesterday agreed to buy Morgan Stanley Dean Witter's global custody business, in a deal that will increase its total assets under custody by about $400bn to $4,700bn. Terms of the deal were not disclosed, although Chase is believed to have paid about $600m.

The agreement underlined the trend towards consolidation in the securities processing sector. Chase is one of a few banks that have built a dominant position in the business. Morgan Stanley joins a growing list of institutions, including J.P. Morgan, BankAmerica and NationsBank, to have left it.

An attempt to build global custody was the main factor in last month's $24bn offer by Bank of New York for Mellon Bank of Pittsburgh. The offer, which was initially rejected by Mellon's board and is still on the table, would create the world's largest custodian with assets of $5,500bn.

Chase said it wanted to build its cross-border assets under custody, which will now reach about $1,800bn.

James Zeigon, head of Chase Global Services, said: "This makes our platforms more efficient and it takes a competitor out of the market, and it gives us the leading position overall in global custody."

He predicted there would be more consolidation in the industry, and that pricing would continue to drive competition. But he added: "We are trying to deal with the larger companies, not smaller names. We are focused."

The two Morgan Stanley businesses being sold – the Morgan Stanley Trust Company and Morgan Stanley Bank Luxembourg – have about 500 employees.

Ames Allwin, president of Morgan Stanley Institutional Investment Management, said: "Our decision to exit this business is part of our strategy to focus on growing our core securities, asset management and credit services businesses."

Morgan Stanley's custody business covers mostly global clients rather than lower margin processing for US companies. Apart from New York, it has management centres in London and Luxembourg. Its portfolio is small compared with the largest players, such as Chase, Bank of New York and State Street of Boston.

It includes a number of global fund managers that Chase is thought to have been keen to acquire, including Barclays Global and Morgan Stanley's asset management business. Chase was also keen to acquire the businesses' managers, who have a high reputation for client service.

Chase is expecting to consolidate the business over the next two years.

Wall Street analysts said Bank of New York's bid for Mellon Bank could still be completed. Ruchi Madan, banking analyst at Paine Webber, said there was 50 per cent chance BoNY would acquire Mellon. Paine Webber said Mellon's reasons for rejecting the offer were "not convincing enough to satisfy its shareholders".

ELECTRONICS GIANT FORECASTS RAPID DECLINE IN SALES GROWTH

Sony chairman and chief executive Norio Ohga. One analyst said the group was being conservative with its warning of a slowdown

Sony warns of slowdown despite record profits

By Paul Abrahams in Tokyo

Sony, Japanese consumer electronics group, yesterday posted record turnover and profits for the second consecutive year, but warned of a rapid deceleration in sales growth and a fall in operating profits and net earnings for the current year. The company blamed the slowdown on lower sales of its Playstation games, start-up costs for its Japanese digital television services, and a collapse in Asian demand.

Masayoshi Morimoto, a Sony director, warned sales growth this year would slow to just 1 per cent. Operating profits would drop 10 per cent and net income would fall 3 per cent. The results were announced after the market closed, but the shares ended down Y350, or 3 per cent, at Y10,650.

"On the face of it, these forecasts are pretty shocking," said Reinier Dobbelman, consumer electronics analyst at SBC Warburg in Tokyo. "There will be a lot of controversy and it will hurt the market as people downgrade. Personally, I believe the company is merely being conservative."

Sony's consolidated net profits for the year ending March 31 jumped 59 per cent to Y222bn ($1.68bn) on sales up 19 per cent at Y6,755bn. Earnings per share rose 56.3 per cent to Y483.4 on a diluted basis, boosted by a reduction in the tax rate after changes in Japanese tax regulations. Return on equity rose 3 percentage points to 13.6 per cent, said Mr Morimoto. However, he could not immediately say what Sony's weighted cost of capital was, nor its return on capital employed.

Sony's operating profits jumped 40 per cent to Y520bn in the year to end March. Mr Morimoto said the results had been flattered by the weakness of the yen, which had depreciated on average by 8 per cent, adding Y291bn to sales and Y110bn to operating profits.

Operating profits had also been boosted by better results from the electronics, music, films and insurance businesses. The game operations, thanks to the success of the Playstation, had done particularly well, with operating profits more than doubling to Y117bn, on sales up 72 per cent at Y723bn. Sony also announced that Nobuyuki Idei, president, would become co-chief executive, sharing the role with Norio Ohga, chairman and chief executive.

Shell's profits tumble 23%

Group blames weak crude oil prices

By Robert Corzine

Royal Dutch/Shell yesterday blamed weak crude oil prices, lower gas sales and tough trading conditions in Asia for sharply lower first quarter profits.

The Anglo-Dutch group – which is reporting in US dollars for the first time – is the latest of the big integrated oil companies to report a profits setback. However, the results exceeded many City forecasts, although several analysts said one-off gains distorted the picture.

After adjusting for current cost of supplies, profits fell 23 per cent to $1.94bn, with net profits down 27 per cent to $1.69bn. Shell shares closed 5p up at 454p.

Shell's return on average capital employed – the main measure for comparing integrated oil companies – was 10.8 per cent, well below the industry leaders at about 14 per cent. Analysts doubted whether Shell would be able to reach its 13 per cent target this year if low crude prices continued.

Exploration and production bore the brunt of the damage from low crude prices, with a 4 per cent rise in oil production failing to offset a 34 per cent drop in year-on-year prices. The fall in crude prices was compounded by a 6 per cent drop in gas sales as a warmer-than-usual winter cut demand, especially in Europe, where Shell is one of the biggest gas suppliers.

Exploration and production profits overall fell 45 per cent to $864m. The company said the outlook for crude prices depended on whether leading oil exporting countries were successful in implementing recently agreed production cuts.

Downstream earnings were flat at $597m ($589m) in spite of higher refining margins in Europe and the US and improved earnings from marketing.

Interest charges on refinery projects and planned shutdowns of refineries in the UK and Thailand – which raised unit manufacturing costs – undermined the division's performance. One analyst, however, said he doubted whether such factors could fully account for the poor overall performance.

Shell's extensive downstream operations in Asia were hit by a 43 per cent year-on-year fall in the Singapore refining margin. The company expects low Asian-Pacific refining margins to persist, although there may be "some modest recovery" in the second quarter.

The Asian economic downturn also hit chemical profits.

Shell said the pace of economic recovery in Asia would largely determine whether trading conditions in the sector improved later this year.

Shell retains a large cash surplus of $5.1bn, in spite of boosting its capital expenditure and making several significant investments. However, the figure is 35 per cent down on last year. Total debt at the end of March was $12.5bn, with gearing at 16 per cent.

COMPANIES & FINANCE: CHRYSLER/DAIMLER-BENZ MERGER

■ ASSESSING THE RISKS ■ INDUSTRY REACTION ■ CORPORATE GERMANY ON THE MOVE ■ WALL STREET ANALYSIS ■ DAIMLER TO STAY IN AEROSPACE

Culture crucial to synergy equation

Differences in language and governance practices are likely to be the greatest downside risk to merger, writes **Tony Jackson**

In all the razzmatazz at yesterday's London press conference by Daimler-Benz and Chrysler, one awkward little formula went unremarked: value equals synergy minus premium.

That is, the value created by an acquisition – and, in reality, Daimler-Benz is acquiring Chrysler – can be broken down into two parts. First is synergy: the present value of all future profits directly attributable to the new combination.

From that must be subtracted the premium the acquirer is paying to the market price. Daimler-Benz puts the premium it is paying for Chrysler at 28 per cent, or about $8bn. Some would put it higher.

It therefore matters a good deal what the synergies are. Yesterday, the two companies put them at $1.4bn in year one, and $3bn annually within three to five years.

If all those future benefits are totted up, their present value is rather higher than $8bn. But that is not a net figure. In any deal of this scope, there are all kinds of hidden costs: culture clashes and misunderstandings, turf wars and jealousies, and the outside chance that the whole project will end in disaster.

Where does that $1.4bn-$3bn figure comes from? According to Bob Eaton, Chrysler chairman, it is the product of very detailed calculations by teams from both companies.

First, there will be extra sales of Mercedes Benz models in the US, and extra sales of Chrysler models in Europe. Second, global purchasing will immediately be brought together, leading to a cost reduction in year one of 0.5 per cent – or about $300m.

Administrative sites will be combined as well as some research and development projects. Further out, benefits are expected from sharing know-how in manufacturing and engineering. "We will quickly share components, engines and transmissions," Mr Eaton said. It was possible, though not certain, that eventually there would be shared platforms.

But quite a few things will not be combined. The brands will be kept absolutely separate. So will the dealerships. There is no suggestion that Chrysler cars will be made at Mercedes-Benz plants, or vice-versa.

And there will be no job losses, either blue or white collar. On the contrary, both companies said yesterday. Because of the expected rise in output, employment was likely to rise.

When it comes to downside risks, the greatest is certainly culture. Beyond the fact of both being car makers, the two companies differ in just about everything: language, markets, work traditions and governance. And in the executive suite, how will Chrysler's sky-high American salaries and stock options sit with the German structure of employee representation and a supervisory board?

There was every evidence yesterday that the two chairmen are alive to this. "We are set to build a truly global culture", said Jürgen Schrempp of Daimler-Benz. Mr Eaton added: "This is precisely one of the reasons we immediately agreed to run the business initially together. We both believe that integrating and merging cultures is possibly the greatest art of management."

Thus, there will be two official headquarters, one on each side of the Atlantic. "We will run the company from both sides", Mr Eaton said, "and alternate the board meetings between both."

Nor, he added, would the two chairmen have defined responsibilities. "We will both be involved", he said, "in the full range of activities around the world."

As for worker participation, or co-determination, in the merged company, Mr Schrempp said: "I was able to convince our friends that co-determination, as handled by Daimler-Benz, is a very positive thing."

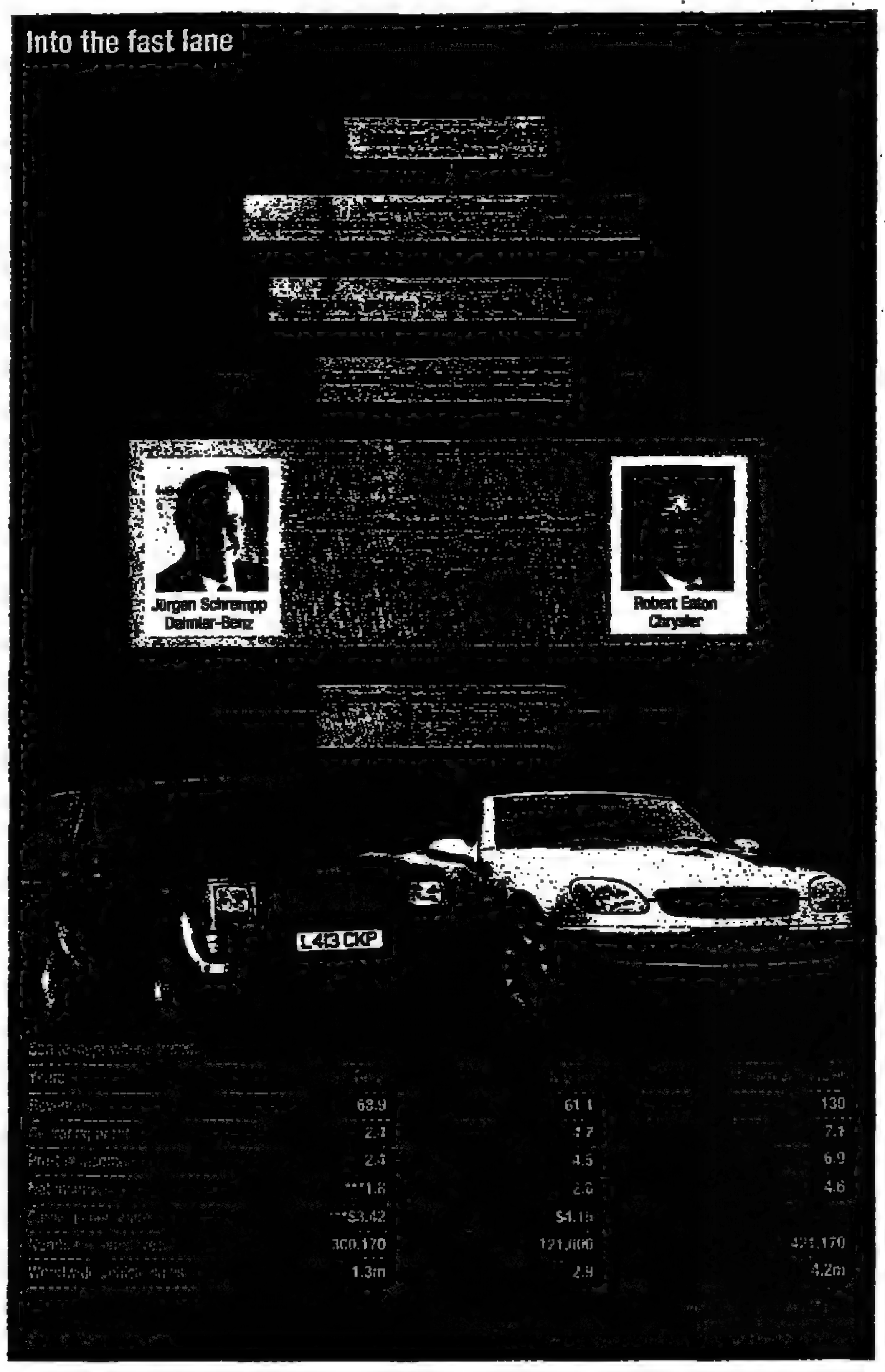
Although the new company will be German – its official title will be Daimler-Chrysler AG – the language of its supervisory and executive boards will be English. In Mr Eaton's case, this is just as well. At the press conference yesterday, he was lost without a translator when asked questions in German.

But if all is harmonious at board level, what about lower down? In cases of conflict, German managers will surely be tempted to get round their American counterparts by using the native tongue.

And conflict there will doubtless be. The two companies, it has emerged, had abortive merger talks in 1995-96. Mr Schrempp was asked yesterday why this time had been different. His answer was revealing.

Fewer people had been involved, he said: only 25 from each company. "A lot of attempted mergers fail because too many people with vested interests are involved", he said. "The well-being of the company must be the guiding factor, not your own position. That was the lesson we learnt."

In other words, the line managers – some of whom, plainly, were unhappy before – are only now being let in on the project. Let us hope they are happier this time round. For if not, the synergy sums will go out of the window.



Germany AG rises to global challenges

By Graham Bowley

The Daimler-Chrysler merger is the latest and clearest illustration of a maxim that has become common in Germany's boardrooms: while German politics is in deadlock, corporate Germany is on the move.

Germany's politicians have been unable to reach agreement on crucial reforms to the country's hidebound welfare state, its stultifying tax system and its old-fashioned pension system.

But while the political classes have argued, Germany's companies have forged ahead to meet the challenges of globalisation.

Companies such as the carmaker Volkswagen and tyremaker Continental have switched large swathes of their production to cheaper manufacturing sites abroad, such as the Czech Republic and Brazil.

Daimler-Benz itself last year began its first car production in the US, in Alabama.

It followed BMW, which already has a plant in South Carolina.

This shift of production abroad represents an attempt not only to cut production costs but also to be closer to faster-growing markets, such as the US.

Companies have also been cutting costs at home – not least by slicing through the traditional industry-wide wage agreements and accompanying non-wage benefits that have made Germany one of the costliest manufacturing sites in Europe.

In this field, Daimler has been one of the toughest companies in reining back wages and cutting perks.

By cutting costs, German companies have faced up to the intensified worldwide competition that the forces of globalisation are bringing.

But they are also coming to terms with increased global rivalry for capital. Here, the German banks are playing a role.

Leading banks are under pressure from their domestic and foreign shareholders to boost returns and concentrate on core business. They are being urged to sell their industrial stakes, such as Deutsche Bank's holding in Daimler-Benz.

But Germany's high tax rates inhibit large-scale disposals, since these mostly involve considerable capital gains. Tax reform would change this dramatically.

German companies have also been keen to break free of banks' control.

"SAP went international very early," says Henning Kagermann, co-chairman of the high-flying business software concern.

"From the start, we were also completely independent from the banks. That created a shareholder value mentality within SAP early on."

As companies look more to international capital markets for cheaper capital, the traditional lending role of the banks has been eroded. Daimler-Benz was the first to list its shares on the New York Stock Exchange to woo US investors. It also opened itself up to outsiders by adopting US accounting standards.

One of the most visible signs that corporate Germany is waking up was the attempted hostile takeover

By cutting costs, German companies have faced up to the intensified worldwide competition that the forces of globalisation are bringing

by Krupp of Thyssen, the rival steel and engineering group, a year ago.

This unleashed a huge political and public controversy, but they settled their differences and finally agreed to merge.

Bertelsmann, the German media group, has recently shown the extent of the worldwide ambitions of Germany's biggest corporations with its purchase of Random House, the US book publisher.

In the car industry, VW made its mark with its earlier acquisitions of Skoda in the Czech Republic and Seat in Spain; it yesterday moved to capture Rolls-Royce Motor Cars of the UK, apparently scooping the prize from rival BMW.

"German chief executives are as radical as anyone in the Anglo-Saxon world," says Paul Achleitner, co-head of the German operation at Goldman Sachs, the US investment bank.

"You should not underestimate the degree to which German industry is getting its act together."

SHOPFLOOR

Daimler workers welcome US link

By Graham Bowley in Stuttgart

"America is a wonderful place. I have been to Colorado," said Dagma, above the loud hammering on the Mercedes-Benz factory floor in Stuttgart, the home city of Daimler-Benz, in southern Germany.

"This merger is fresh and new. I am positive. We can bring together our ideas," she smiled, turning to check on the progress of the shiny car body as it moved slowly along the assembly line.

The sun shone brightly on leafy Stuttgart yesterday, the day the transatlantic merger between Daimler-Benz and Chrysler was officially confirmed. The mood on the shopfloor was positive. Few thought jobs were at stake.

"The bigger we are the better. We will be stronger. We can't make enough cars to meet demand as it is. With Chrysler we can do more," said Michael, a 30-year-old mechanic, dressed in the baggy blue overalls that are *de rigeur* for the Mercedes factory floor.

Outside, a large metal three-pointed star, Daimler's symbol, towered over the factory from a tall office block. Cyclists whizzed around the factory's roads.

Fanning themselves in the heat, secretaries watched the burly figure of Jürgen Schrempp, Daimler's chief executive, on office television sets as he blared out his plans in the company's live broadcast from London.

Was the merger a threat? Would it bring unwelcome changes to Daimler? "We are already changing. We have already become American. That is not necessarily a bad thing," said Reiner Schrag, as he grabbed a bolt and disappeared under the bonnet.

"We can live together," he added. "We will do our work here, the Americans can work over there. It is the top management that have to learn to be friends."

But not everyone was convinced: "One thing," said Karl, stopping as he rode past on his bike. "Germans won't buy those big American cars. They'll have to change them. Parking spaces aren't big enough over here."

REACTION VEHICLE COMPONENTS SUPPLIERS SEE SPIN-OFF BENEFITS

Deal finds favour across the industry

By Peter Marsh in London and Paul Betts in Rome

The Daimler-Chrysler merger announcement drew praise from companies in the world vehicle components industry, on the grounds that it would lead to new opportunities for suppliers already geared to working on a global basis.

Rival carmakers were more cautious, though some hailed the success of Daimler-Benz and Chrysler in reaching an agreement that would continue the consolidation of the industry.

In some quarters, scepticism was also expressed that the two companies could successfully combine their corporate cultures to make the merger work.

Peter Hellman, president and chief operating officer of TRW, the big US vehicle parts maker, said: "The merger is very positive. It will help the two companies spread development costs and take advantage of cross-marketing."

For TRW – with annual automotive parts sales of some $7bn, half of which are outside the US – the merger would lead to "big opportunities", Mr Hellman said.

It would enable TRW to use its expertise in areas such as airbags or steering systems to make a range of products that could be directed for use over the whole of the merged group, so achieving bigger sales for a given amount of development spending.

Bernd Pischetsrieder, chief executive of BMW, the German carmaker, said the deal was a "courageous and strategically correct step", while Yoshikazu Hanawa, president of Japan's Nissan Motor, said it could lead to more automotive tie-ups, including between Japanese and overseas companies.

Continental, the big German tyremaker, said the merger could lead to "new chances" for it to build on its business supplying Daimler-Benz, in both the US and Europe, through similar supply arrangements with Chrysler. LucasVarity, the Anglo-American parts group, said it was hoping for a "pull-through" of orders from one part of the merged company to the other.

Rheinmetall, the German industrial group whose Kolbenschmidt Pierburg car parts unit is trying to extend its US sales, said the deal "added support" to its own internationalisation effort.

At Fiat, the Italian automotive group, executives are understood to believe that the Chrysler/Daimler deal is good for the two companies. Fiat has flirted for the past three decades with the idea of an alliance or merger with another leading car manufacturer. However, it is expected to continue its strategy of expanding in developing countries.

Jürgen Schrempp (left) and Bob Eaton at a press conference in London yesterday Jason Orton

VALUATION DIFFERENCES IN EUROPEAN AND US MULTIPLES COMPLICATE CALCULATIONS

New shares pose value dilemma

By Richard Waters and Daniel Bögler in New York

For Wall Street, the calculation yesterday looked simple: Chrysler's stock, which traded at $41 earlier this week, was being valued at $63 through the share offer from Germany. It was hardly surprising to see Chrysler's investors – including Kirk Kerkorian, whose 13.75 per cent makes him the largest shareholder – lining up to celebrate the transaction.

Behind this huge notional premium, however, lies a more complex calculation. Chrysler's investors will give up one of the best-performing US industrial stocks of the decade in return for a minority stake in a foreign company that has been through some difficult times.

Assessing the value of the new DaimlerChrysler shares, both in the short and long term, will now become of central importance.

The calculation is complicated by the very different price/earnings multiples accorded to automobile companies in the US and Europe.

According to Jerry York, the former IBM finance director who now oversees Mr Kerkorian's investments, the typical US car company trades at a p/e ratio of 9, compared to 18 in Europe and 25 in Japan. "It's hard to rationalise the [different valuation] of the auto sector on the other two continents."

Daimler itself trades at about 22 times earnings, compared with nine times at Chrysler, said Mr York. Using other cross-border mergers as a yardstick – including that of Pharmacia and Upjohn – he added that the combined company was likely to fall between the two, at "something in the range of 15".

For Wall Street, that would open an intriguing gap with the valuation of General Motors and Ford.

The deal's supporters, though, argue the new company would be in a far stronger position. Steven Koch, co-head of mergers and acquisitions at Credit Suisse First Boston, which advised Chrysler, said: "It's not just a higher p/e – [Chrysler investors] are swapping into an organisation with extraordinary growth and profitability prospects."

While both companies' shares continued to climb yesterday on hopes of benefits from the merger, Chrysler stock was trading at only $52⅞ by midday in New York, some $10 below the notional value suggested by the Daimler offer.

There appeared to be a number of factors behind that disparity. According to one arbitrage trader, the risk of labour unrest still hangs over the deal. Other, technical issues also appeared to be at work. One involves the dividend Daimler plans to pay to its own shareholders. The two companies have said they intend to adjust the exchange offer to take account of the lower value of Daimler stock after the dividend. However, the scale of the adjustment appears still under discussion.

The disparity in the stock prices also reflected technical obstacles in the way of capturing the arbitrage profit that could be made from buying Chrysler stock and selling Daimler, according to one US trader. The impending dividend payment has made it technically impossible to short Daimler's shares, the trader said.

DASA GROUP'S PLANS FOR DEFENCE ARM 'UNAFFECTED' BY CHRYSLER DEAL

Daimler affirms commitment to aerospace industry

By Alexander Nicoll and Michael Skapinker in London and Robert Graham in Avignon

Daimler-Benz said yesterday that the merger with Chrysler would not alter its plans to play a full role in restructuring the European aerospace and defence industries.

Jürgen Schrempp, Daimler-Benz chairman, said: "We consider our aerospace activities very important, and we are not planning to sell them." The group's Daimler-Benz Aerospace (Dasa) subsidiary is a partner in both the Airbus and Eurofighter consortia.

British Aerospace, also a partner in both consortia, was strongly cautioning against suggestions that the Chrysler merger would lead to the purchase by BAe of Dasa.

Dasa and BAe have been allies in the struggle to transform Airbus Industrie, the world's second-biggest aircraft maker. The two companies have led the drive to cut costs, with Dasa's staff numbers falling from 94,000 in 1992 to 43,000 last year.

Their pressure on Aerospatiale, which is controlled by the French government, has paid off as Airbus is set to become a limited company next year, instead of its present form as a *Groupement d'Intérêt Economique*, a French legal construct making no profits in its own right.

European governments want the change in Airbus's status to be a step towards the creation of a single company bringing together BAe, Dasa and Aerospatiale as a powerful European group making civil and military aircraft.

BAe, Dasa and Aerospatiale have agreed on the principles of such a company but UK objections to large holdings in it by the French government and by Daimler-Benz itself are likely to be hurdles to its creation.

Helmut Kohl, the German chancellor, said yesterday after a Franco-German summit in Avignon: "We have to move fast, it is urgent and we can't wait too long."

Mr Kohl and President Chirac of France asked experts to produce ideas by the end of the summer on how to tackle issues such as the shareholding structure of the future group.

Some experts say the Chrysler merger could strengthen Dasa's hand in negotiations, because it would broaden the shareholder base of Daimler-Benz, putting it more on a par with BAe which has a large US investor base.

Manfred Bischoff, Dasa chief executive, said the Chrysler deal would not change the group's policy of trying to develop a pan-European aerospace industry.

Dasa, like BAe, opposes the French government being a shareholder in any new group. Mr Bischoff has said that while state ownership could be accepted for a transitional period, "the concept of government shares in the united aerospace industry must be ruled out".

French reluctance to privatise its aerospace interests has led to speculation that BAe and Dasa could forge a closer alliance which the French could join later.

BAe has not ruled this out. It has a close relationship with Dasa and is involved in talks with Dasa as well as French, Italian, and Spanish companies on the restructuring issue. It has also extended its links with other defence groups such as Saab of Sweden, in which it is to take a 35 per cent stake.

FUTURES CFTC AIMS TO KEEP SAFEGUARDS

Derivatives market to be reviewed

By Nikki Tait in Chicago

The Commodity Futures Trading Commission, the regulatory exchange for the US futures markets, yesterday ploughed ahead with its plan to review the huge but largely unregulated "over-the-counter" derivatives market.

It said it "wished to maintain adequate safeguards without impairing the ability of the market to grow".

Brooksley Born, who chairs the CFTC, stressed that the commission was not approaching the review with any "preconceived results in mind". But she added "the substantial changes in the OTC derivatives market over the past few years require the commission to review its regulations".

Over-the-counter derivatives are contracts – such as interest rates swaps – between large financial players which are handled outside any formal, regulated exchange. This business has grown extremely rapidly in recent years, and the notional value of outstanding contracts at present is put at more than $28,000bn.

The CFTC largely exempted swaps and other hybrid products from regulatory supervision in 1993. But it now claims that circumstances have changed – the market has expanded, some products have become standardised, and there are proposals being put forward for centralised clearing of contracts, such as swaps.

"The explosive growth in the OTC market in recent years has been accompanied by an increase in the number and size of losses even among large and sophisticated users which purport to be trying to hedge price risk in the underlying cash market.

"As use of the market has increased, entities such as pension funds and school districts have been affected by derivatives losses, in addition to corporate shareholders," the CFTC said.

The agency, which first indicated it would review the exemptions several months ago, yesterday published a formal "concept release", indicating specific areas which it expected to examine and calling for public comments.

Its review seems certain to provoke a strong response from Wall Street's investment banking community; some OTC market participants have already warned that the mere suggestion of a review could destabilise the market, and possibly lead to legal challenges.

However, the CFTC stressed yesterday that any rule changes resulting from the review would be applied "prospectively only" – that is, to contracts struck after any change were made.

Meanwhile, the issue of OTC regulation has already created tension between the CFTC and the Securities and Exchange Commission. Earlier this year, the CFTC took public exception to a SEC plan to encourage Wall Street firms to sell OTC instruments through US-based broker-dealers rather than through offshore (primarily European) units.

Citigroup announces top-tier appointments

By John Authers in New York

Two things became steadily more obvious yesterday as Wall Street analysts studied the long-awaited list of senior managers who are to head Citigroup, the product of the $160bn merger of Citicorp and Travelers Group announced last month.

First, the co-chief executives – Sanford Weill, of Travelers, and John Reed, of Citicorp – appear to have succeeded in finding jobs for all their most talented executives – a crucial task, as integrating the new company will be an immense challenge and require plenty of talent.

"I looked through the lists of executives in both companies' annual reports, and there are only two missing from each of them," said one executive search consultant.

But second, it seems equally apparent that Travelers executives are in a position to dominate the new company, even though former Citibankers have been given roles which will keep them on board.

Attention initially focused on the appointment of James Dimon, chief operating officer of Travelers Group and long regarded as Mr Weill's heir, as the Citigroup president. The company stressed that Mr Dimon's role would be to specialise in financial issues and would not be a conventional company presidency, with executives reporting directly to Mr Weill and Mr Reed.

But one analyst pointed out: "There's still only one president, and it's Jamie Dimon."

Similarly, Citigroup's chief financial officer will be Heidi Miller from Travelers, giving Mr Weill's most trusted lieutenants strong control over financial issues.

There is power-sharing at the top of each of the three divisions – "global consumer", "global corporate and investor" and "asset management" – although here too Travelers managers appear to be in the stronger position.

Thomas W. Jones of Travelers is to head asset management. Peter Carman, recruited last year from Putnam Investments to build Citicorp's fund management business, will report to him as chief investment officer. This is the area where analysts believe there could be the greatest potential for cost cuts.

Global corporate and investor banking will be headed jointly by three executives: Mr Dimon, Deryck Maughan, former chief executive of Salomon Brothers, which was acquired by Travelers late last year, and Victor Menezes, chief financial officer of Citicorp. Mr Menezes, seen as one of the most likely successors to Mr Reed, will take the additional title of president of Citibank.

Dennis Martin and Robert McCormack, top executives for Citicorp's powerful emerging markets and global relationship banking franchises will report directly to Mr Menezes, suggesting that at least initially the Citibank and Salomon Smith Barney global operations are to be kept separate.

The opposite approach has been taken on the consumer side of the business, where the attempt to sell Travelers' broad range of products through Citibank's global network will be critical to generating extra revenues. William Campbell of Citicorp and Robert Lipp of Travelers will be co-chief executives.

Mr Campbell will take responsibility for "global consumer strategy". No current senior Travelers executives will be directly answerable to him. Mr Lipp, a former senior executive at Chemical Banking, will take responsibility for the US. In addition to Travelers' vast US consumer businesses, this will also give him control of Citibank's credit-card business, its mortgage services and its "Citibanking" branch network – apparently a broader power base.

Apple Computer expects boost from iMac

By Louise Kehoe in San Francisco

Apple Computer is persuading investors to "think different" about the long-troubled US personal computer company.

Apple's shares hit a 12-month high of 30\frac{1}{16}$ on Wednesday and remained above $30 in early trading yesterday, following the company's introduction this week of a new line of consumer PCs with a radical design and aggressively low price.

"We believe we have an incredibly great shot at coming back in the consumer market," said Steve Jobs, Apple interim chief executive. "We're going to try to take customers away from the other guys, but we're also going after the installed base [of Macintosh users]."

Apple's sales have dwindled over the past two years amid concerns over the company's future and management upheaval. However, the advent of the iMac and a new range of powerful notebook PCs could help turn Apple's fortunes around, analysts said.

Tim Bajarin, president of Creative Strategies, said iMac was the first Apple product in many years that would grab the attention of consumers.

The iMac, scheduled to go on sale in August, is sure to be noticed. The all-in-one unit, combining the monitor and computer, is almost conical in shape. The case is a translucent blue and grey. Even the keyboard keys are translucent and the rounded mouse lights up when in use.

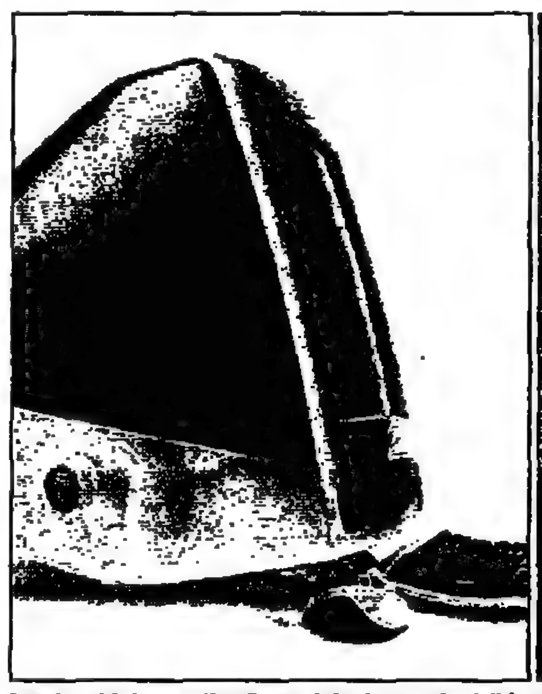
"It looks like it's from another planet – a good planet," Mr Jobs enthused. In a re-enactment of the launch of the original Macintosh in 1984, Mr Jobs drew a draped cloth off the iMac which displayed the words: "Hello (again)". The original Macintosh said simply: "Hello".

However, Mr Jobs must also turn back the clock on Apple's sales performance, reversing the decline of the past two years.

The iMac could give Apple a boost in the consumer sector, where it has been losing market share to less expensive Windows PCs. At $1,299, the iMac will compete with Windows PCs that are sold without a monitor for about $1,000.

Yet the iMac lacks some of the features of other PCs. Although Apple will promote the new computer as an "internet age" machine, it contains a slower modem than most competitors' products. The lack of a floppy disk drive, typically used to make back-up copies of files, may also worry some PC buyers.

Moreover, showmanship and a $50m advertising campaign may not boost Apple's profit margins. Consumer PCs carry very thin profit margins and Apple must also increase its sales to businesses if it is to succeed.



Interim chief executive Steve Jobs hopes the 'all-in-one' iMac unit will help restore Apple's fortunes

Addressing this, Mr Jobs also introduced a new line of notebook computers, which he claimed were the fastest available. Adopting the "build to order" approach, Apple will offer customers a range of options including screen size and microprocessor speed.

With the iMac, the new notebook computers and a range of desktop computers for business users introduced in November, Apple had three cornerstone products, Mr Jobs said. Next year, the company would introduce a hand-held computer for consumers, he said.

NEWS DIGEST

BIOTECHNOLOGY

Jury clears Biogen chief of misleading investors

Biogen has been absolved from allegations that James Vincent, chairman of the US biotechnology company, made misleading comments about the blood-thinning agent Hirulog. A federal jury decided this week that his comments about the drug at an analysts' meeting in 1994 were not intended to deceive shareholders. Mr Vincent had said results from trials of the treatment looked "very good".

A few months later, the company announced it was concerned about serious side-effects from the drug and was licensing it out to another biotechnology company, Medicines Co. Biogen was forced to take a $25m charge against earnings related to the drug. The day after the announcement, the company's share price dropped 18 per cent.

Lawyers claiming to represent 3,000 shareholders alleged that Mr Vincent was trying to protect the group's market value by concealing information about the side effects. In a class-action suit, they sought $68m in damages. Biogen argued Hirulog's trials were indeed encouraging, and that it had simply decided to focus on other products.

Biotechnology groups, which are plagued by shareholder suits, were encouraged by the decision. "A company can be wiped out over a few overly-optimistic words," said Dave Schmickel, legal counsel for the Biotechnology Industry Organisation, a trade group. The industry had hoped that a new law that protects forward-looking statements by chief executives would discourage shareholder suits, but the legislation seems to have made little difference.

Victoria Griffith, Boston

FIBRE-OPTIC CABLES

Algar, NKF form joint venture

Brazil's Algar group and NKF of the Netherlands are to form a joint venture to produce fibre-optic cables in Brazil, in readiness for an expected surge in demand following privatisation of the public network later this year.

The joint venture, called ANK, will absorb initial investments of about $15m in a factory to be built near Algar's optical fibre factory in São Paulo state. Capacity is expected to reach 10,000km of cable a year by the end of 1999, and turnover is projected at $50m a year by the third year of operation.

Capital in the new company will be shared equally between the partners, although Algar will hold 51 per cent of voting stock and 49 per cent of preferential stock.

Demand for fibre-optic cable in Brazil is close to zero as the network concentrates on its forthcoming privatisation, due to take place from July. Performance targets for the new owners include increasing the number of fixed lines from 16.8m today to 25m by the end of next year and 33m by 2002.

José Mauro Leal Costa, a director at Algar, said: "We are going through a hiatus, but the fixed cable network will double or triple in size in the next few years. There is enormous suppressed demand for telephone services." ANK aimed to capture about 20 per cent of the market for fibre optic cables, contending for market leadership with Pirelli and Furukawa, the two biggest cable manufacturers in Brazil.

Xtal, Algar's optical fibre subsidiary, will compete with other manufacturers in Brazil to supply ANK. During construction of the Brazilian factory, ANK will produce cables at NKF's factories in Finland, Germany and the Netherlands using Brazilian fibres. ANK said it would compete in all sectors of the Brazilian market and introduce new products.

Algar is one of Brazil's biggest private conglomerates, with interests as diverse as telephony, agriculture and publishing. Engeset, a subsidiary, is Brazil's biggest installer of communications cables; the group also operates in cable television. Turnover last year was $856m.

ANK is NKF's first activity in Brazil and follows investments in the Caribbean and Chile. The group's core interests are in communications and energy, with turnover last year of $681m. Its cable business is based on NK, formerly Nokia Cable, bought after the Finnish group decided to concentrate on its core activity of cellular telephony.

Jonathan Wheatley, São Paulo

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Reshuffle as Philip falls into the red

By Scott Morrison in Toronto

Philip Services, the Canadian recycling and waste services group, yesterday reported an unexpected first-quarter loss, and shuffled management in an attempt to restore confidence in the company, a former stock market favourite.

Philip said continuing difficulties in its copper recycling business and delays in cost-cutting measures contributed to a quarterly net loss of US$565,000. Analysts had expected Philip to post earnings of 15 cents a share, against first-quarter net earnings last year of US$6.4m, or 9 cents a share.

The company said Felix Pardo, chief operating officer, would take over as chief executive, while Allen Fracassi would step aside to become executive vice-chairman. Mr Fracassi said the changes would help the company digest acquisitions.

Philip had been a favourite among investors since 1993, as it began a steady stream of acquisitions to grow into one of the largest waste-management groups in North America, with 1997 revenues of more than US$1.75bn.

But prospects began to unravel last year when Philip made a friendly US$1.8bn bid for Safety-Kleen, a US oil-recycling company. Philip was involved in a testy takeover battle with Canada's Laidlaw group when Mr Fracassi's company revealed that unusual speculative trading practices had led it to show a shortfall in copper inventory, contributing to a US$95.8m loss in 1997.

It was the first in a series of revisions to Philip's financial statements dating back to 1995. Many analysts have expressed concerns about the company's health, and groups of shareholders are seeking class-action status for lawsuits alleging the company misrepresented its financial position.

The revelations were seen to have prompted Safety-Kleen shareholders to reject Philip's offer, despite a strong recommendation from Safety-Kleen's board. Further damage was caused by a press report stating Philip's management had stretched accounting rules.

The company's share price, which peaked at C$27.90 last September, was down C$1.75 in midday trading yesterday to C$9.05.

RESTRUCTURING HYUNDAI, LG AND SK RESPOND TO GOVERNMENT CRITICISM OF HIGH DEBT LEVELS

Korean groups unveil revamp plans

By John Burton in Seoul

Some of South Korea's largest conglomerates yesterday unveiled restructuring plans in response to government pressure to reduce large debts that were a cause of the nation's financial crisis last winter.

But analysts said the plans by the Hyundai, LG and SK groups, which followed those offered by Samsung on Wednesday, were vague and unrealistic and were designed to appease the government, which has criticised the conglomerates, or *chaebol*, for their failure to reduce their sprawling industrial empires.

The plans come before Kim Dae-jung, the Korean president, is scheduled to hold a televised "town meeting" on Sunday to head off possible labour unrest among workers claiming that the *chaebols'* family owners are not making economic sacrifices while at least 1.5m people are losing their jobs.

The *chaebol* offered similar plans in February, when they were first criticised by the new administration, but little action has been taken on the earlier proposals.

The head of the financial supervisory commission yesterday warned that the government was prepared to stop propping up marginal businesses through emergency bank loans, which would trigger a wave of corporate bankruptcies.

The three big *chaebol* renewed promises to focus on a few core businesses and sell assets totalling $17.4bn by the end of 1999 to meet a government target that would reduce their debt to two times equity.

Hyundai, the biggest *chaebol*, said it would dispose of nine subsidiaries and raise $8.5bn from foreign investors through asset sales, joint ventures and bond issues that would reduce its net debt to equity ratio from 572 per cent at the end of 1997 to 228 per cent in 1999.

The group plans to concentrate on five main industries including construction, cars, electronics, petrochemicals and financial services.

It has identified nine businesses considered uncompetitive, including Hyundai Marine and Fire Insurance, the Keum Kang Development property company and car parts maker Korea Flange.

Hyundai Electronics, which lost Won184bn ($134m) last year after a slump in computer chip prices, has already sold its US-based non-memory chip unit for $758m and has offered to sell its stake in the Globalstar satellite project to Loral, the US group that is leading the consortium, for $210m.

LG Group said it would raise $6.5bn through asset sales to cut its debt-equity ratio from 343 per cent and concentrate on chemicals, electronics, finance and retail. LG will offer foreign investors stakes in its telecoms, power generation and industrial electronics units.

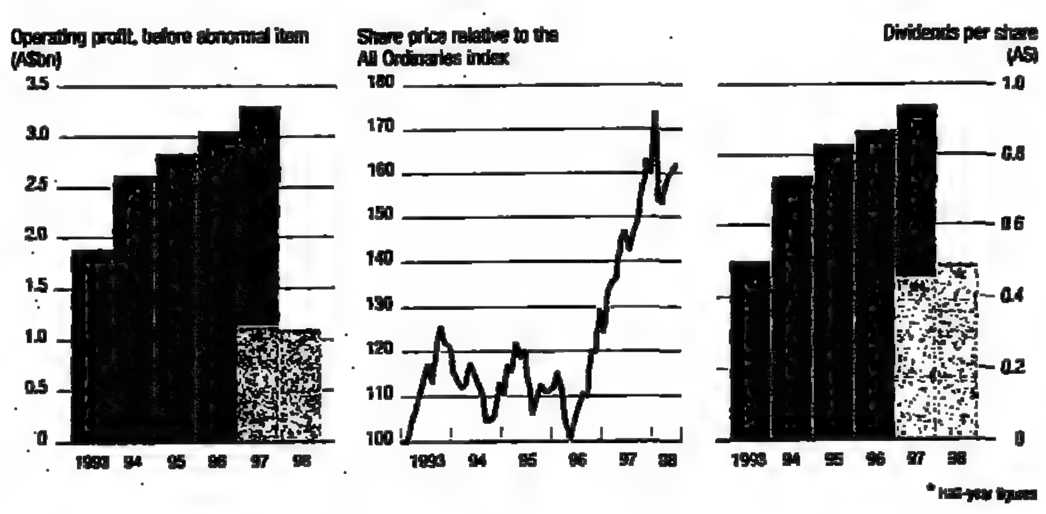
SK Group said it hoped to raise $2.4bn through investments by foreigners as it concentrates on chemicals, telecoms, construction and financial services.

NAB optimistic as recovery sets in

By Gwen Robinson in Sydney

Profile: National Australian Bank

Market capitalisation	US$21.1bn
Historic P/E	14.6
Gross Yield	4.26
Earnings per share	1.52
Current share price	A$22.33



Source: Datastream/ICV

National Australia Bank yesterday reported a 3.4 per cent increase in second-quarter earnings and said it was back on track for higher full-year profits. But the bank warned further fall-out from the Asian economic crisis had prompted it to raise bad-debt provisions.

After-tax profit in the three months to March came to A$576m (US$368m), 3.4 per cent above the previous year and 8.1 per cent above the first quarter. The poor first quarter, however, dragged down half-year net profit before one-off items by 2.6 per cent, to A$1.1bn.

The result was in line with analysts' expectations and drove NAB shares up 27 cents to A$22.30 on the Australian Stock Exchange.

"We remain optimistic about the quality of our full-year results and our ability to sustain growth," said Don Argus, NAB managing director.

But continuing economic problems in Asia, where NAB carries a A$16.5bn exposure, prompted the bank to raise its cover for bad debts to $268m at the half-year mark from $105m a year earlier.

In the first quarter, NAB's provisioning jumped to $120m from $39m. Japan accounts for more than half of NAB's total exposure, with the bulk in money market operations, followed by Hong Kong, Singapore and South Korea.

Banking analysts said NAB's second-quarter results backed up their predictions of higher earnings in the full year to September, with forecasts ranging from A$2.27bn to A$2.33bn, a rise of 2.3 to 4.95 per cent.

NAB's group net interest income rose 6.7 per cent to A$2.77bn in the half-year, although margins in the domestic market remained under pressure.

Non-interest income rose 24 per cent to A$2bn, helped by the acquisition last October of HomeSide, a US-based mortgage company. Mr Argus said trading conditions in all markets would remain highly competitive and continue to be affected by sluggish growth in Asia.

"The uncertainty created by Asia will impact on other major economies as well as continuing to depress immediate prospects in our region," he said. "There is no doubt the coming months will be challenging."

NAB's European business registered the biggest increase in interim profit, up 14.4 per cent to A$246m in the six months. NAB owns Yorkshire Bank, Clydesdale Bank and Northern Bank in the UK, and the National Irish Bank in Ireland.

In Australia and New Zealand, operations suffered a fall in profit because of higher expenses and reduced margins. Australian profits fell 28 per cent to A$520m and New Zealand earnings fell 14.2 per cent to A$97m. In the US, earnings fell A$1m to A$74m.

Moody's cuts ratings on PNB

By Justin Marozzi in Manila

The Philippine banking index yesterday tumbled 2.6 per cent following news that Moody's, the credit rating agency, had downgraded its ratings on Philippine National Bank, the country's second largest.

Moody's lowered its long-term foreign currency debt-rating for PNB from Ba1 to Ba2 and the bank's financial strength rating from D to E+. Two other banks were also downgraded, although neither was among the leading financial institutions.

Shares in PNB, which is 45 per cent state-owned, shed 1 peso to close at 78.5 pesos yesterday, while shares in Metrobank, a top-tier commercial bank, plunged 15 pesos to 287.5 pesos.

PNB is regarded by analysts as the weakest local bank, with the highest exposure to the property sector and the highest levels of dollar loans. Of its property exposure, 76 per cent of loans are to developers.

It is also considered the most undercapitalised domestic bank. PNB said its capital adequacy ratio for 1997 was 12.4 per cent, but Ismael Pili, analyst at Indosuez W. I. Carr, estimated the ratio at 10.3 per cent. Faced with increasing non-performing loans – brought on by the deteriorating economy – the bank says it is considering raising capital through a $200m convertible bond in the third quarter.

The bank also said it was restructuring 2.5 per cent of its loans. Mr Pili said restructuring of a 4.8bn pesos ($121m) loan to RJ Ventures, a property developer, a 4bn pesos loan to debt-ridden National Steel, and a 1.5bn loan to Evergotesco, the retailer, meant a more realistic figure was over 7 per cent.

"I don't see any good prospects for PNB in the immediate future," said an analyst at a foreign brokerage. "The first problem is asset quality and the second is the sort of people running the bank. There is a strong civil servant mentality dating back to the government's involvement that does not bode well for the next two to three years."

Intel opens $198m chip plant in China

Intel of the US yesterday opened its first manufacturing plant in China, a $198m facility producing flash-memory chips for use in mobile telephones, personal computers and digital cameras, writes **James Harding in Shanghai**.

The opening of the factory in Shanghai follows the announcement earlier this week that Intel, the world's largest chipmaker, would establish a new applied research centre in Beijing.

The company expects to invest about $50m over the next five years on research into information technology to suit Chinese-language PC users.

Mr Grove said yesterday that the official opening of a facility to provide flash memory for customers worldwide was "an important milestone in Intel's history in China".

Intel established its first representative office in China in 1985 and has since opened offices in most of the country's big cities.

The company also has a software laboratory in Shanghai, which works with local software companies to develop applications using Intel products.

News Corp shares fall despite surge in profit

By Gwen Robinson in Sydney

Shares in News Corp, Rupert Murdoch's media empire, fell 17 cents to A$10.63 on the Australian Stock Exchange yesterday following the group's announcement of a 24 per cent surge in third-quarter net profit.

News Corp said net profit jumped 24 per cent to A$409m (US$258m) in the three months to March, largely thanks to the success of *Titanic*, which took a record box-office total of US$1.66bn worldwide.

News Corp's net profit before abnormal losses for the quarter jumped 28 per cent to A$481m, well above analysts' forecasts of about A$440m.

The abnormal losses of A$72m stemmed from costs related to Mr Murdoch's involvement in the now-defunct Super League rugby league competition in Australia, and early retirement of public debt.

The losses were partially offset by the sale of a stake in Australia's Seven Network, one of four commercial broadcasters.

There were also losses related to News Corp's involvement in television start-up projects around the world. The group's Asian Star TV, for example, is expected to post losses of about US$100m in the year to June.

Profits at News Corp's US television stations were flat, and improved earnings at Fox Broadcasting Company and Fox Television Station group were offset by losses at Fox News Channel.

For the full year, most analysts have upgraded their forecasts to about A$1.75bn from about A$1.68bn. But there was widespread doubt about whether News Corp could sustain the performance. "We saw those doubts reflected in News Corp's share market movements," said one media analyst in Sydney.

"There have been a few one-off losses that have been shielded by the one-off extras in this result. I would say there might be a couple of small upgrades on the back of this, but nothing dramatic," said Greg Matthews, head of equities at Macquarie Investment Management.

In the UK, operating income rose only marginally despite the UK's strong economic environment, edging up 5 per cent to A$144m. Earnings from UK newspapers were sluggish, damped by a fall in circulation of The Sun, the group's flagship tabloid, and higher printing and editorial costs.

Australian newspaper revenues were also flat, and earnings from News Corp's 50 per cent-owned airline, Ansett Australia, weakened during the quarter. The group's overall Australasian operating income in the quarter rose to A$12m from A$9m.

Analysts said Mr Murdoch's newspaper price war launched last month in Melbourne, with the price of the The Australian cut to 40 cents from A$1.20, could boost full-year profits.

NEWS DIGEST

SOFTWARE AND PUBLISHING

Softbank in shake-up to aid transparency

Softbank, the acquisitive Japanese computer software and publishing group, yesterday unveiled a big restructuring to meet criticisms that the company's reporting and ownership structure were insufficiently transparent.

The group, which owns substantial stakes in Yahoo!, the internet search engine, and Ziff-Davis, the computer magazine publisher, also announced full-year results. Consolidated net profits for the year to March rose 13 per cent to Y10.3bn ($78m) on sales up 42 per cent at Y513.3bn, thanks to acquisitions.

Softbank, led by Masayoshi Son, one of Japan's most high-profile businessmen, said MAC, a holding company that owns a substantial stake in Softbank, would be absorbed into the company. One share in MAC, which is controlled by Mr Son, would be exchanged for 24,314 shares in Softbank. MAC has been used to absorb currency risk after Softbank borrowed in yen to make US acquisitions that provided dollar revenue streams. MAC also held some of the loss-making businesses in those acquisitions to help boost Softbank's profitability.

Mr Son said the move was made in response to criticism that MAC's relationship to Softbank was unclear.

At the parent company level, Softbank posted net profits up 30 per cent at Y13.7bn, on sales up just 4 per cent at Y205bn. But the company warned that parent sales would be static at Y205bn this year, and that net profits would fall to Y7bn. Earnings per share would drop from Y133.8 to Y68.35.

However, the company also said it planned to change its articles of association so it could buy back up to 10m shares for a total value up to Y60bn. The group intended to raise its dividend from Y20 in the last fiscal year to Y40 in the current 12 months.

The group has also moved to assuage concerns about the large debts amassed during its acquisition spree. It said it had received Y152.42bn from the partial flotation of Ziff-Davis in New York in April. In the past six weeks Softbank had bought back Y13.6bn of its own bonds with the intention of cancelling them and it might use the proceeds of the Ziff-Davis acquisition to buy more. **Paul Abrahams, Tokyo**

CONSTRUCTION MACHINERY

Growth continues at Komatsu

Komatsu, the Japanese construction machinery maker, saw group net profit and sales rise for the fourth consecutive year in 1997, the group said yesterday.

However, the rise highlighted a sharp discrepancy in demand that is echoed across much of the country's industry. Exports outside Asia surged last year, but domestic demand fell sharply, Komatsu said. Meanwhile, overseas sales to Asia also suffered as a result of the region's recent turmoil.

The company said net profits rose 6 per cent to Y19.24bn ($145m) during the year. Sales edged up 0.5 per cent to Y1,104bn, with overseas sales climbing 21 per cent to Y498.18bn, while domestic sales fell 12 per cent to Y605.90bn.

Sales in the construction and mining equipment division rose 0.7 per cent to Y721.88bn, as sales in North America, Europe, Latin America and the Middle East grew thanks to the weak currency over the past year.

In electronics, sales rose 15 per cent to Y104.27bn, partly because of robust sales of silicon wafers, and factory-automation panel computers.

Sales in the industrial machinery division rose 6.8 per cent to Y51.23bn, after favorable sales in North America, with demand for modular transfer presses showing strong growth.

In the civil engineering and construction division, sales fell 4.9 per cent to Y94.89 bn, reflecting the sluggish domestic economy which hurt public spending and investment in private-sector housing.

Komatsu's shares closed yesterday at Y175 before the announcement, compared with a peak this year of Y249 on February 19. **Gillian Tett, Tokyo**

CINEMA

Hoyts in German link-up

Hoyts Cinemas, the Australian cinema operator, has formed a joint venture with the Thelle/Kinopolis cinema group to develop 30 multiplex cinemas in Germany. Hoyts, which will invest A$41m (US$26m) into the venture, said Germany "provides a platform for the group's further pan-European expansion".

The group already operates more than 1,400 screens in Australia, New Zealand, North and South America and is also looking at Italy, Spain and Poland to increase its presence in Europe. Hoyts said the average cinema attendance in Germany was just 1.7 times a year, compared with five times a year in the US.

"Europe is totally underdeveloped for multiplexes. There is still a huge potential out there," said Raymond Smith, managing director. **Elizabeth Robinson**

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Fast-food group blows a McBubble in slow economy

McDonald's Japan is posting record profits, but may be threatened by currency problems, writes **Bethan Hutton**

Golden arches: McDonald's last month opened its 2,500th store in Japan — Ashley Ashwood

As corporate Japan sinks further into gloom, nostalgia for the "bubble era" of the late 1980s abounds. For one company, however, the golden era may be happening now. *McDonald's Japan, the 50-50* joint venture between McDonald's of the US and Fujita of Japan, has been reporting record profits and expanding faster than ever.

"Our difficult years were the bubble era," says Akira Tanaka, deputy president of McDonald's Japan. In 1985, the company had just 534 stores in Japan and wanted to open more, but was held back by escalating property prices and construction costs. "We tried very hard to find good locations in town centres, but it was a seller's market as far as real estate was concerned."

But although such problems slowed growth, they also deterred McDonald's from excesses, which means its business is in a much healthier state now. "Unlike a lot of other companies that bought a lot of land during that era, we didn't buy anything and didn't diversify – we just specialised in hamburgers," says Mr Tanaka.

Now costs have dropped considerably, the chain can afford to expand aggressively. Last month McDonald's opened its 2,500th store in Japan, and about 450 more are planned this year. Openings have actually speeded up as the economy has slowed.

During the bubble, construction costs averaged Y200m ($1.5m) for a new outlet. The current figure is about half that, with McDonald's now opting for simpler interiors and smaller stores.

These days it is also much easier to negotiate good property deals. In fact, developers often approach the company with requests to open a McDonald's restaurant in new shopping or leisure complexes. There are also new strategies, such as teaming up with oil companies to open McDonald's outlets at petrol stations.

So far, McDonald's Japan has not been suffering the same problems which have plagued its US parent. Unlike the US, where McDonald's customers have been defecting to competitors who cook burgers to order, McDonald's Japan seems to have got the recipes right for its market. The two best-selling menu items are unique to Japan – the Teriyaki McBurger, introduced in 1989, and the Chicken Tatsuta, developed in 1992. Both are flavoured with soy sauce to appeal to Japanese tastes.

Another difference is that while in the US about 80 per cent of stores are franchises and 20 per cent are directly owned and run, in Japan the proportion is reversed. As a result the ambitious expansion plans of McDonald's in Japan meet less opposition from franchisees worried about new stores poaching their customers.

However, other factors mean the golden glow of the arches may dim a little in the near future. Last year's sales and pre-tax profits set new records, at Y333.7bn, an increase of 12 per cent, and Y23.1bn, also up 12 per cent. However, same-store sales fell about 2.3 per cent.

Mr Tanaka says McDonald's strategy now is to increase share and penetration, but, as the market becomes more saturated, achieving that becomes harder.

Moreover, much of McDonald's success in Japan may be attributed to the "value-centred" strategy it adopted in 1994, with ultra-low prices keeping customers coming even during difficult economic times. McDonald's has been helped in this by the relative strength of the yen over the past few years. Most raw materials are imported – beef from Australia, potatoes from the US – so currency strength has enabled it to keep prices low.

However, many of the current prices were set in 1995, when the yen was at an all-time high. Now that the yen is approaching its weakest level against the dollar since 1992, McDonald's may find it difficult to keep prices stable by further cost further or putting up with wafer-thin margins.

"Our business is more or less trying to keep a balance between the unit price per customer and the number of customers," said Mr Tanaka. "As far as sales and profits are concerned, considering the market conditions, I think we are doing pretty well." But if the yen continues to weaken as consumer spending is stagnating, the current McBubble may lose its buoyancy.

FINANCIAL SERVICES SA LIFE ASSURER TRANSFERS PORTFOLIO RESPONSIBILITY TO ASSOCIATE GENSEC IN R7bn DEAL

Sanlam splits off asset management

By Victor Mallet in Johannesburg

Sanlam, the South African life assurer to be demutualised this year, is handing its substantial asset management business to its associate company Genbel Securities (Gensec), in a deal expected to be worth about R7bn ($1.4bn).

The move is part of a drive to simplify its structure and suggests the rationalisation of South Africa's financial services industry is likely to continue apace – in spite of this week's failure by Standard Bank and Liberty Life to agree on the establishment of a common holding company.

Sanlam said the transaction would allow it to concentrate on financial services, while Gensec will become the group's asset management and investment banking arm.

Gensec, which previously had only R6bn of assets under management, will also run Sanlam's R184bn of life assurance funds, unit trusts, properties, and assets managed for outside clients.

The details of the new structure have not been finalised, but Gensec said it would probably issue 96m shares to Sanlam, taking Sanlam's stake from 43.4 per cent to 66.3 per cent.

Yesterday Gensec shares closed 50 cents lower at R76, valuing the proposed deal at more than R7bn.

"I believe that Sanlam has got so much baggage in the various parts of its business, and it's so difficult to revitalise from within," said Clive Cook, insurance analyst at BOE Securities in Johannesburg. "Perhaps the idea was to put it all with some sharp operators."

Johan van Reenen, Gensec executive director, said there would now be a chance to offer "exciting new products" to both institutional and retail investors.

Sanlam, for example, had hitherto managed a large share of South African savings but only a small proportion of the country's unit trusts, he said.

Gensec executives also said the deal would help them internationalise their business.

Anton Botha, Gensec chief executive, said Sanlam Asset Management's London-based European operations would "provide a launch pad for international expansion". Mr Botha will join the Sanlam executive committee.

Sanlam also announced it would be restructuring into a holding organisation with four autonomous businesses: Sanlam Individual Markets, comprising life assurance and other personal matters; Business and Institutional Markets; Gensec, including Sanlam Asset Management and Sanlam Properties; and Sanlam Health.

Some jobs would be lost, Sanlam said.

Yuksi dismisses fears over Sibneft merger

By Chrystia Freeland in Moscow and Robert Corzine in London

Yuksi, the new Russian group touted as the world's largest oil company when it was created in a merger earlier this year, risks unravelling, according to some disgruntled executives.

However, Yuksi officials have denied the deal is at risk, insisting it will be finalised by the June 30 deadline set by Yukos and Sibneft, the two Russian oil companies coming together to form the new behemoth.

"The deal will not fall apart," said Vasily Shakhnovksy, deputy chairman of Yuksi. Another Yuksi official said rumours that the merger was on the verge of collapse were being spread by some executives within the group eager to sabotage the deal.

The tensions yesterday prompted United Financial Group, a Moscow-based brokerage, to issue a report describing "strong rumours in the Moscow market suggesting that the Yuksi merger is in big trouble".

Martin Diggle, a director at Brunswick Warburg, another Moscow brokerage, said: "We have heard from sources within the company that the merger is off, although there is no official statement."

Stephen O'Sullivan, co-head of research at United Financial Group, said the tensions were related to Sibneft's view that it should get more than the 40 per cent share of the merged company which it has been alloted.

Whether or not it is completed, the merger, which has brought together some of Russia's most powerful magnates, is off to a rocky start.

Two weeks ago Elf Aquitaine, the French oil company which has agreed to buy a 5 per cent stake in Yuksi, was told the deal had collapsed and that its planned share purchase was off.

Elf was on the verge of announcing the change when, a week later, it was told that the merger was back on track.

This week, some disaffected executives from Sibneft resurrected talk about Yuksi's imminent demise, telling Moscow brokers the merger was about to collapse. Managers from Sibneft, which would take a back seat to Yukos, are also believed to have left Yukos offices and returned to their former headquarters.

Elf executives appear confident that the French group will nevertheless secure a strategic foothold in the Russian oil industry. It would do this by substituting the 5 per cent stake in Yuksi it currently plans to buy for $528m for a 12 per cent stake in Sibneft.

Belgium agog as Baron Frère pulls the strings

Recent moves by one of Europe's most powerful tycoons have set markets buzzing, writes **Neil Buckley**

Behind the flurries of activity redrawing the corporate map of Belgium, one figure constantly lurks: Baron Albert Frère.

The publicity-shy financier this week allowed Royale Belge, Belgium's second-biggest insurer, to come under French control when he agreed to end a joint control agreement and sell his stakes to Axa-UAP, the French insurer. Six months ago, he unlocked the door to a takeover of Banque Bruxelles Lambert, Belgium's third-biggest bank, by ING of the Netherlands, by agreeing to sell the 37 per cent he controlled.

Speculation in Brussels suggests Mr Frère's next move may be to sell his 22.8 per cent stake in Petrofina, the Belgian oil company – possibly to Elf of France – and use the proceeds to increase his 11.5 per cent stake in Suez Lyonnaise des Eaux, the French utilities group.

His position as Suez-Lyonnaise's biggest shareholder links him to another highly sensitive corporate restructuring in Belgium: Suez's planned move to increase its stake in Société Générale de Belgique, the country's biggest holding company, from 64 per cent to 100 per cent.

Mr Frère's ubiquity demonstrates both the scope of his interests – from oil and utilities to banking and the media – and his influence. The iron-merchant's son from Charleroi may be one of Europe's lowest-profile tycoons, but he is one of the most powerful.

At the heart of his complex web of businesses is a "cascade" of holding companies, each with a controlling stake in the next level. Alongside the headline-grabbing sales in recent months, several other moves have been made to simplify the structure, setting the market humming with speculation about Mr Frère's plans.

Last month, Frère Bourgeois, the family holding at the top of the cascade, bought 31.7 per cent of Fibelpar, an unlisted holding two steps down, from minority shareholders for BFr12bn ($329m), taking Frère Bourgeois's total stake to 89 per cent. That move came shortly after the merger of Imétal, an industrial group, with Parfinance, a French holding company – both subsidiaries of Groupe Bruxelles Lambert, Mr Frère's central quoted holding and repository for his Royale Belge, BBL and Petrofina interests.

In January, Groupe Bruxelles Lambert raised its stake in Electrafina, the step below it in the cascade, from 54 per cent to 62 per cent.

A final element of Mr Frère's deal with Axa-UAP this week was that he would buy back shares in Groupe Bruxelles Lambert held by Axa-UAP and Royale Belge, for about BFr20bn – a discount to the market price – in effect ending a long association with UAP.

Analysts suggest Mr Frère could be moving towards removing some steps in the cascade completely.

Most predict a merger of Fibelpar with either Erbe, the holding above it in the chain, or Compagnie Nationale à Portefeuille, a quoted holding below it, and of Groupe Bruxelles Lambert with Electrafina. Speculation over the latter was fuelled by confirmation from France's Compagnie Générale des Eaux that it wanted to sell its 22.5 per cent stake in Electrafina. Analysts see Mr Frère as the buyer. But what could lie behind the simplification?

One motive could be a desire to exert more direct control over his assets, and move control upwards towards the family-owned businesses, as Mr Frère prepares to hand the empire to his son Gérald, chairman of Compagnie Nationale à Portefeuille, and his daughter Ségolène, aged 21, who replaced her father on the CNP board last month.

Another may be to remove the discount to net asset value at which many of Mr Frère's holding companies trade – a reflection of investors' increasing scepticism towards such structures.

"Investors, especially US investors, are no longer interested in holding companies," said Thierry Hazevoets, of BBL Vermeulen Raemdonck.

A third motive may be to maximise capital gains from selling assets while he can. Belgian holding companies are currently exempt from tax on capital gains – which could be threatened by European Union moves towards tax harmonisation.

Many analysts, moreover, believe Belgium's record-breaking stock market is on the verge of a correction. The wily Mr Frère may be selling at the top.

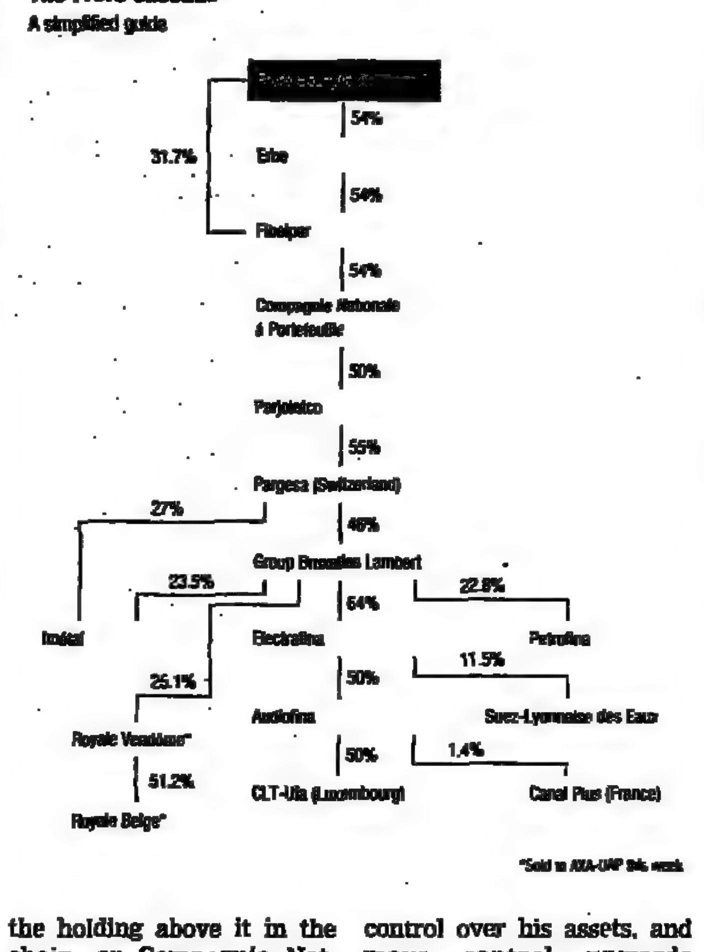
His cash pile is certainly growing, with a BFr15.44bn gain on his BBL shares – and some still left to sell – and a BFr4.79bn gain on the sale of part of CLT-Ufa, the Luxembourg broadcaster, to Germany's Bertelsmann last year. This week's Royale Belge deal should also net a profit, even after buying back shares.

Where is the cash destined? Some see Mr Frère extending his interests in France by taking his stake higher in Suez-Lyonnaise.

Others suggest the cash will be channelled into his media interests, notably CLT-Ufa and Canal Plus, the French broadcaster in which he has a small stake, completing the transition from Frère the industrialist, via Frère the banker, to Frère the media baron. Even at 72, Albert Frère is not too old to re-invent himself.

The Frère cascade

A simplified guide



*Sold to AXA-UAP this week

Investor holders to get discount on Saab shares

By Tim Burt in Stockholm

Shareholders in Investor, the main investment vehicle of Sweden's Wallenberg business empire, are to be offered a 50 per cent discount on shares in Saab, the group's wholly-owned aerospace subsidiary, ahead of its flotation this summer.

The company – which last week agreed to sell 35 per cent of Saab to British Aerospace for SKr3.5bn ($462m) – said shareholders would receive Saab shares on a 1-for-4 basis at a price of SKr45. BAe paid SKr94 a share for its stake.

The UK group's decision to acquire a holding in Saab – although not outright control – signalled a further step in the restructuring of the European defence industry.

Claes Dahlbäck, Investor chief executive, said the offer would include an extra dividend of about SKr12 a share. "Based on the price to be paid by BAe, the discount amounts to more than 50 per cent," he said.

Under the terms of the deal, Investor shareholders will be offered purchase rights covering 44.8 per cent of the aircraft manufacturer's share capital and 29 per cent of the votes.

When the listing is completed later this summer, Investor will emerge with 20.1 per cent of Saab's capital and 36 per cent of the votes. Investor has been advised by Morgan Stanley Dean Witter and Enskilda Securities.

● Ericsson, the Swedish telecommunications group, has sold a 15 per cent stake in Turkcell, Turkey's largest digital cellular operator, to Sonera of Finland and Cukurova, a Turkish investment group, writes Greg McIvor in Stockholm.

The price of the deal was not disclosed but analysts estimated the holding to be worth about SKr1.5bn ($198m). Turkcell made operating profits of about SKr600m last year on turnover of some SKr1.3bn.

The sale lifts the stake held by Sonera from 34 per cent to 41 per cent. Cukurova is to have 8 per cent.

Renault sees bus venture starting before year-end

By David Owen in Paris

The new company to be formed by the merger of Renault VI's and Iveco's coach and bus activities will be headquartered neither in France nor in Italy, a senior executive disclosed yesterday.

Elios Pascual, the general manager of Renault VI's buses unit who is set to be chief executive of the new entity, also indicated he expected the new grouping – unveiled earlier this week – to be up and running before the end of the year.

The merger, which will bring together the coach and bus activities of Renault and Fiat's truck and bus units, should produce a company with annual sales of more than FFr6bn ($1bn) and 6,000 employees.

With output of 7,500 buses and coaches of all sizes, including minibuses and chassis, the 50-50 venture will be second only to Mercedes-Benz's Evobus subsidiary in Europe, with a near 25 per cent market share.

The comments came as Renault itself announced a strong 24 per cent advance from FFr47.2bn to FFr58.6bn in first-quarter revenues, with commercial vehicles showing particularly rapid growth.

The carmaking division saw revenues reach FFr46.6bn, up from FFr37.9bn, due to higher sales volumes as a result of the Mégane's strong performance and a string of successful launches. Overall sales of Renault cars and light commercial vehicles were ahead 17 per cent.

Commercial vehicle revenues climbed 35 per cent from FFr7.4bn to just under FFr10bn. The company attributed this to a sharp upturn in billings both in Europe and the US. It said Renault VI sold 21,475 vehicles in the first three months of 1998, against 15,354 in the corresponding 1997 period.

In spite of these figures, Renault shares – which have been buoyant in recent months – fell below the FFr300 mark, closing in Paris at FFr299.70, a fall of FFr6.80 or 2.2 per cent.

Holzmann plans capital increase

Philipp Holzmann, the German construction group, yesterday unveiled plans to inject funds into its loss-making businesses through a capital increase and a convertible bond issue, Reuters reports from Frankfurt.

Holzmann said it planned a DM700m ($396.7m) provision, to be settled from reserves, to buoy its troubled property projects.

Business developments in the first few months of 1998 meant the group wanted to end problems in its property operations, the company said.

In spite of last year's operating loss of between DM240mand DM250m, Holzmann said it was looking forward to a positive operating result in 1998, based on a "pleasing" number of orders in hand as well as earnings that could result from restructuring.

Holzmann said it planned a capital increase of DM700m through a convertible bond and by raising cash, taking advantage of DM30m of authorised capital. The terms of the bond had not yet been decided, it said.

However, the company said Deutsche Bank and 10 other creditors in Germany had pledged their support for both the capital increase and bond issue.

A German shareholder lobby group said in March it would vote against Holzmann's management and supervisory board at the group's next annual meeting, scheduled for August but likely to be delayed.

Announcing 1997 results in February, Holzmann said its troubled property divisions and loss-making French and Thai units had dragged operating profit into the red.

It said then it would shed the businesses and cut 4,100 jobs in order to return to profitability in 1998.

German construction companies have been plagued by years of declining investment following the post-reunification building boom.

Scitex in buy-back plan

By Avi Machlis in Jerusalem

Scitex, the struggling Israeli graphic arts and digital print maker, yesterday launched a buy-back plan to revive its sliding share price.

The move came after the group reported that it stayed in the black for a fourth consecutive quarter. Net income for the three months to March totalled US$2.6m, or 6 cents a share, excluding a one-off charge for an acquisition, compared with a net loss of $7m in the first quarter last year.

Including the charge, net losses totalled $42m, in the quarter. Revenues slipped 2 per cent to $159m.

The company attributed the gradual return to the black to improvement in its digital pre-print and graphic arts operations. Scitex's digital video division, however, remains troubled.

Scitex, once the flagship of Israel's technology sector, has been restructuring to reverse net losses of $178m in 1996. Its shares, traded on Nasdaq, have collapsed since early 1993, when they topped $40. They hit a low of $6⅝ in April 1997, and opened trading yesterday at $13⅞.

Under the buy-back plan, Scitex will purchase up to 2m shares, about 7 per cent of its free float, at market value, or after direct negotiations with shareholders. Scitex will not buy back shares from its three main shareholders – International Paper, of the US, which holds 13 per cent, and two Israeli holding companies.

"Shareholders have been expecting us to do this for some time," said Yoav Chelouche, Scitex chief executive. He said the company had launched the buy-back scheme now because the "board seems to have more confidence in the stability of the turnround plan".

Analysts welcomed the plan. "It's a great sign and shows the company is confident they are on the right track," said one analyst from a US investment bank. "Hopefully they will execute."

NEWS DIGEST

BANKING

Capital markets help lift Deutsche Bank 39%

Deutsche Bank, Germany's biggest, raised net profits by 39 per cent to DM891m ($505m) in the first quarter but said it was premature to expect this performance to be continued over the whole year.

The bank, which has embarked on a DM2.5bn restructuring programme involving nearly 9,000 job losses, benefited from the favourable development of international capital markets, said Rolf Breuer, chairman. Pre-tax profits rose 40 per cent to DM1.81bn. The pre-tax return on equity was 22.8 per cent against 17.2 per cent in the first quarter of 1997.

Commission profits, reflecting buoyant securities and investment fund business, rose by 19.5 per cent to DM2.36bn, with trading profits on the bank's own account up 28 per cent to DM1.28bn. Net interest income was 5 per cent higher at DM2.9bn; after a 24 per cent decline in loan loss provisions to DM207m, interest income was 8 per cent higher at DM2.7bn.

Earnings per share rose from DM1.26 to DM1.68. Costs rose by 14 per cent to DM4.9bn, mostly because of performance-related remuneration in investment banking. However, taking normal operating costs only, the cost/income ratio was 72.5 per cent, below the 75.8 per cent average for last year.
Andrew Fisher, Frankfurt

CATERING

Groupe Flo IPO oversubscribed

Groupe Flo, the French restaurant chain, has successfully completed its initial public offering, with the retail tranche 122 times subscribed – a record for an IPO on the Second Market in Paris.

Because of the high demand, the company has carried out a clawback of 86,679 shares, bringing the retail offering to 216,739 shares in total. The institutional offering consisted of just over 650,000 shares. The price for both parts was set at FFr185 a share.

The flotation gives investors the chance to buy a piece of French culinary landmarks such as the La Coupole brasserie in Montparnasse, as well as the garish Hippopotamus chain. Jean-Paul Bucher, chairman and chief executive, said the IPO's success would facilitate the financing of the group's future growth, "notably through acquisitions in France and abroad". **David Owen, Paris**

HOTELS

Accor in US sale-leaseback

Accor, the French hotels group, said it had sold $450m of US-based Motel 6 properties to a group of US investors as part of a previously announced sale-leaseback programme.

Accor announced the FFr9bn ($1.5bn) sale-leaseback programme last year, including some $1bn of Motel 6 properties over a two-year period. It has already sold FFr1.1bn worth of properties in Europe and $350m in Motel 6 properties.

"Today Accor has signed the sale of a new tranche of $450m to American investors, bringing the total value of sales of Motel 6 properties to $800m, or around FFr4.9bn, since the start of the programme," Accor said. "Overall, two thirds of the announced sale programme has been achieved," it said.
Reuters, Paris

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ROLLS-ROYCE DEAL STRUCK IN SECRET IN WINSTON CHURCHILL LOUNGE AT NORTHOLT AERODROME

Agreement sealed as VW drops earlier demands

By Andrew Edgecliffe-Johnson

The agreement to sell Rolls-Royce Motor Cars, the world-renowned UK luxury carmaker, to Volkswagen, one-time manufacturer of Germany's "people's car" was struck yesterday afternoon in the aptly British surroundings of the Winston Churchill lounge at Northolt aerodrome.

Ferdinand Piëch, chief executive of Volkswagen, flew in his company's private jet to the small airstrip in west London, which is often used by heads of state and members of the Royal family. The VW board had already met to agree the broad thrust of his proposal yesterday morning.

Andrew John, Vickers' commercial director, arrived by car just as Mr Piëch came in to land. Sir Colin Chandler, his chairman, was for once absent from the talks, as he was out of the country. Paul Buysse, six days into his new job as chief executive of the British engineer, was likewise abroad, having chosen to play no part in the tangled final stages of the sale negotiations.

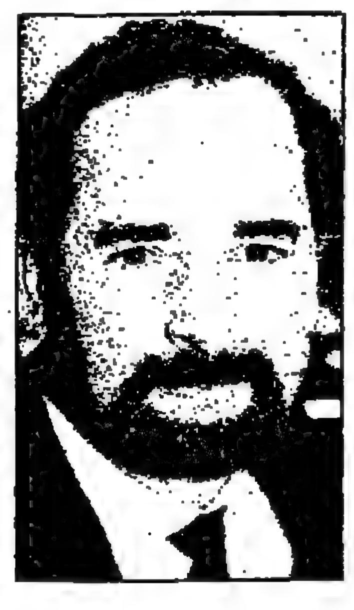
Yesterday afternoon's deal was the culmination of several months' work, however, in which the balance of power swung first from Volkswagen to BMW – the German carmaker that had earlier agreed to buy Rolls-Royce for £340m – and then back again.

Analysts were taken aback that Volkswagen appeared to have wrested Rolls-Royce from the grip of its German rival, as many had assumed Vickers had locked itself into a deal with BMW, and the management of Rolls-Royce was said to prefer BMW to the makers of "the people's car", the VW Beetle.

Vickers portrayed the deal as the culmination of a careful tactical ploy, aimed at extracting the highest possible offer from VW by using the initial deal with rival BMW as a bargaining chip. "This has been our poker game, it said."

Christopher Fisher of Lazards, Vickers' advisers, said: "I think the Vickers board have come out of this pretty well. We have managed to get another £90m for shareholders without ever putting at risk the £340m we had on the table already."

Ferdinand Piëch of VW: flew in



Bernd Pischetsrieder of BMW

Sir Colin Chandler: abroad

Poker game or not, Vickers has succeeded in raising VW's price from an initial £310m offer (which included Vickers' steel pressings business, valued by analysts at about £15m) to £430m. Those terms left it outbid in the first round, and left it out in the cold when Vickers gave BMW a one-month period of exclusivity.

When that period ended late last month, VW wasted no time in calling Vickers' advisers with new terms. These were not as generous as yesterday's price, but were sufficient to get Sir Colin and his negotiators back to the table.

The speed with which yesterday's agreement was signed owed much to the fact that Volkswagen decided to drop a number of its earlier demands. Most importantly, it decided effectively to step into the shoes of BMW, adopting the framework of the deal its rival had agreed with Vickers last month.

Another of the factors that helped to unlock the deal was VW's sudden willingness to bear the risk that Rolls-Royce – the aero-engine manufacturer – might refuse to transfer the right to use the Rolls-Royce marque.

Early in their discussions, VW said it would only sign a deal that was conditional upon consent from the aero-engine group to transfer the marque. However, last week, after conversations with the aero-engine maker, VW accepted that such an approach was unrealistic and agreed to bear the risk.

BMW, which already owns UK car maker Rover Group, was informed that its offer had been trumped moments before the deal was announced to the stock exchange late yesterday afternoon. The company, headed by Bernd Pischetsrieder, has said in the past that it will not increase its bid beyond £340m, but nobody in the Volkswagen camp is banking on that.

Nuts and bolts may mean cold comfort and Cosworth

Jonathan Ford looks at the implications of the Volkswagen takeover for Rolls-Royce engine suppliers

The deal announced yesterday between Vickers and Volkswagen will go at least some way towards assuaging the wounded national pride of British car enthusiasts infuriated by the sale of Rolls-Royce to a German company.

In its agreement with Vickers, VW said its preference would be for Rolls-Royce's engines to be supplied by a UK-based manufacturer.

"Clearly it is not a binding commitment, but companies of VW's calibre do not make public statements like that without meaning them," said Christopher Fisher at Lazard Brothers, which advised Vickers on the deal.

For those smarting at Rolls-Royce's decision prior to the auction to seek engines from BMW for its four-door model, this may provide some – if cold – comfort.

VW will need to think fast about its choice of engine supplier because BMW warned during the auction that it would terminate its agreement to supply engines if Rolls-Royce were sold to another bidder.

Under the terms of the agreement, the Bavarian company has to give 12 months' notice of its intention to terminate.

In its early talks with Vickers, VW expressed interest in buying certain parts of its Cosworth engineering subsidiary, which still manufactures engines for Rolls-Royce's two-door models.

Should the deal go ahead, both sides expect to restart those conversations. Vickers' alternative is to sell the whole of Cosworth to Ford, one of its biggest customers. VW is thought to have indicated it would offer up to £40m for the Cosworth units it wishes to buy.

Otherwise there is little to distinguish VW's offer from that of its rival – apart from the £90m price gap. Both companies have pledged to increase production, broaden the range of models, recruit more workers and keep design and manufacturing at the Crewe factory.

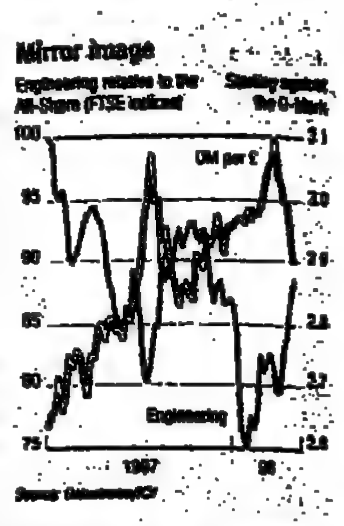
However, VW has indicated it would invest more money in the business than its rival – £1.5bn against BMW's promises of £1bn.

The production increases that VW plans are considerable. In the long term, it intends to crank production up to about 10,000 cars a year – five times the 1,900 cars the company sold last year. However, it has not made it clear exactly how this might be achieved.

Until the keys to Crewe are safely in its hands, VW is reluctant to expand upon its plans. It claims that the company will be treated no differently than its other marques – Audi, Skoda and Seat. Rolls-Royce employees in Crewe will have to wait until June to find out exactly what that means.

COMMENT

UK engineers



Sterling's slide against the D-Mark this week from DM2.96 to DM2.90 has caused the bombed-out engineering sector to show twitches of life. Some stocks have jumped by 5 per cent or more, while over the past three months the sector has outperformed the market by 14 per cent, admittedly from a depressed base.

But is the re-rating assuming more than the currency markets can deliver? In the case of the mid-size engineering stocks, which produce mainly in the UK and for which sterling strength is both a translation and a transactional hit, the answer is probably yes. After all, DM2.90 ($1.59) is still far from comfortable, and a bounce in the short term cannot be discounted. A bad set of inflation numbers, or a delay in raising German interest rates, could yet bolster sterling.

Still, engineers that also produce abroad, such as Siebe, TI and BBA, should be able to hang on to their new found gains. Of course, all will benefit if over the medium term the sterling trend is downward, as expected. UK interest rates appear to have peaked while those in Germany look set to edge higher. But if the pound falls too sharply, an interest rate cut may be put on hold. That, combined with possibly increased sterling volatility, could dent the improved outlook.

Market abuse

Giving the Financial Services Authority and the Stock Exchange powers to impose fines for rule breaking will fill a great gap in the UK regulators' armour. The onerous standard of proof required to launch a criminal prosecution for insider dealing or market manipulation has meant that only the most blatant cases have been pursued. Wrongdoing is not like that. It comes in all shapes and sizes, and so calls for a range of penalties. So far the sanctions available between a ticking-off and jail have been rather limited.

There is, of course, a nanny state concern that extending regulators' powers will lead to a rash of petty accusations and arbitrary fines. So long as the appeals tribunal is independent in every respect, there should be little incentive – and an adequate remedy – for misguided hyperactivity. But it is important that the new market code is fully debated and accepted by participants. The aim should be to deter corrupt practices, not bother honest practitioners.

Danka signals Kodak solution

By Susanna Voyle

Danka Business Systems, the office equipment supplier, is on track to complete the troubled integration of its $684m acquisition of Kodak's distribution business this year.

Mark Vaughan-Lee, chairman, said one year of a two-year integration process had been completed. The service and sales side of the business had been tackled. Now Danka had to look at administration and information technology systems.

The group bought the Kodak division in September 1996, saying the deal would treble its sales and lead to cost savings of $100m a year. However, plans to integrate the acquisition slowly were stepped up after customer complaints. Danka was obliged to issue a profits warning in December, triggering a 57 per cent slide in its shares, to 510p.

The shares yesterday closed unchanged at 317½p.

Announcing a 4 per cent rise in annual pre-tax profits to £77.9m ($130m) before exceptional charges of £6.7m for redundancy costs, Mr Vaughan-Lee said Danka had been hit by the strength of sterling. At constant exchange rates, pre-tax profits would have been £2.7m higher.

Turnover for the year to March 31 rose 54 per cent to £2bn, while operating profit increased from £96.6m to £117m. The final dividend of 1.56p helps lift the total 20 per cent to 3.12p and is payable from pre-exceptional earnings per share of 24.3p (26.1p).

With analysts forecasting 1999 pre-tax profits of £100m, the company is on a prospective multiple of 10.7.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbeycrest	Yr to Feb 28	66.6	(67.4)	4.2	(3.6)	12.2	(9.8)	3	-	2.5	4.5	3.8
Avon Rubber	6 mths to Mar 28	128.7	(165.5)	10.5	(15.6♥)	26.5	(42.5)	6.8Ж	June 26	6.15	-	21.15
Blakes Clothing Φ	Yr to Jan 31 □	10.9	(9.1)	0.937♠	(1.04)	6.1	(6.9)	1	-	-	1	-
Clyde Blowers	6 mths to Feb 28	35	(28.6)	0.545	(0.089♠)	2.48	(0.54)	2.67	-	2.67	-	8ЖЖ
Cox Insurance	9 mths to Dec 31 ☆	-	(-)	20.3	(12.4)	13.3†	(10)	2.4	July 10	2.1	4.25♦	2.8
Danka Business	Yr to Mar 31	2,040	(1,324)	65.1♠	(29♠)	20.3	(9.1)	1.56	July 28	1.3	3.12	2.6
Essex Furniture	Yr to Dec 31	34.1	(34.9)	0.913♥	(0.92♥)	5.09	(5.02)	2.2	June 15	2.1	3.85	3.6
Fitzwilton ♣	Yr to Dec 31	233.1	(319.7)	7.62L♠	(15.1)	3.08L	(4.01)	-	-	1.1	1.15	2.45
Lynx	6 mths to Mar 31	80.4	(53.9)	5.53	(3.71)	3.65†	(2.58)	0.55	Aug 3	0.5	-	2
M&G	6 mths to Mar 31	80.2	(74.5)	38.1	(33.2)	35.6	(30.4)	18.5	July 2	16	-	40
Prowting	Yr to Feb 28	176.6	(134.9)	16.8♠	(7.67)	15.9	(6.1)	2.5	July 13	2.1	4.6	4
Royal Bank Scotland	6 mths to Mar 31	-	(-)	448♥	(369♥)	32	(24.3)	7.13	July 17	6.2	-	21.4
Sanderson	6 mths to Mar 31	34.7	(33.4)	4.05	(3.5)	6.2	(5.9)	2.7⁂	July 13	2.4	5.2	4.6
Shell Transport $	3 mths to Mar 31	25,369	(34,133)	1,737‡	(2,354‡)	0.41	(0.52)	-	-	-	-	-
Silentnight	Yr to Jan 31	229.3	(212.2)	16.6	(14.3)	24.89	(21.66)	8.2	July 6	7	11.5	10
Telewest Comms	3 mths to Mar 31	110.4	(90.4)	70.2L	(69.5L)	4.9L	(4.9L)	-	-	-	-	-
Trio	6 mths to Mar 31	11.8	(14.7)	0.359	(2.03L♠)	0.06	(2.53L)	nil	-	nil	-	nil
Viridian	Yr to Mar 31	500.4	(580.9)	76.7♠	(59.6♠)	44§‡	(21.6)	16.95	Oct 1	15.4	23	20.9
Windsor	6 mths to Mar 31 ★	6	(4.57)	0.056	(2.37L♠)	0.05L	(4.5L)	-	-	-	-	0.6
Wyefield	6 mths to Dec 31	6.16	(8.28)	0.489L	(0.337L)	1.9L	(1.3L)	nil	-	nil	-	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Pep	6 mths to Mar 31	195.31	(152.13)	1.23	(0.999)	2.08	(1.69)	1.8	June 19	1.75	-	4.5
Glasgow Income	6 mths to Mar 31	77.19	(-)	0.3	(0.397)	0.96†	(1.28)	0.6⁂	Aug 28	0.6	-	2.8
I&S Smaller Cos	Yr to Mar 31	219.06	(196.67)	0.617	(0.708)	2.94	(2.5)	1.9	July 3	1.9	2.9	2.9
Wigmore Property	6 mths to Mar 31	131	(103)	0.039	(0.055)	0.19	(0.27)	0.2	June 22	0.3	-	0.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡‡‡‡‡‡‡On reduced capital. ЖForeign income dividend. ΦAim stock. ♣Irish currency. $US currency. □Figures pro forma. ЖЖContains foreign income dividend element. ☆Comparatives restated and for 12 months. ♦Includes special of 1.05p. ⁂Second interim. ‡Post-tax. §Before windfall tax. ★Comparatives restated.

Stores flotation gains RBS $166m

By George Graham, Banking Editor

Royal Bank of Scotland will take supermarket banking to new extremes next week when it books a profit in excess of £100m ($166m) on the flotation of a Spanish supermarket company.

The bank and its Spanish partner, Banco Santander, own around 48 per cent of Superdiplo, which is expected to be valued at close to £670m when it starts trading on the Madrid stock exchange next week. Charterhouse, the UK venture capital and investment banking group, also owns 48 per cent.

Last year it set up a new joint venture to sell financial services in partnership with the UK's Tesco retail supermarket chain.

The unexpected Spanish gain came on top of strong first half results and helped to lift RBS's shares 54½p to 988p while most other bank stocks languished. The Scottish bank reported pre-tax profits of £449m in the six months to March 31.

RBS's strong profits performance, substantially in excess of analysts' forecasts, stemmed largely from its core UK banking operations and from Citizens Financial, its US banking operation. Interest margins widened as the bank was able to raise its lending rates faster than deposit rates when base rates were increased.

Investors flock to offer of Thomson Travel flotation

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The flotation of the Thomson Travel Group has been heavily oversubscribed by private investors.

The books were closed yesterday to retail investors after a flurry of last minute applications. The package holiday company is now expected to be valued at between £1.65bn and £1.7bn when it is floated on Monday.

More than 700,000 private investors, many attracted by perks, which include a discount of 10 per cent on Thomson holidays, are believed to have registered for the shares.

The offer to private investors closed at noon yesterday. SBC Warburg Dillon Read, which is conducting the book-building exercise – in which the selling price is arrived at by assessing investors' bids – closes the offer to institutional investors today at 5pm.

Some institutional investors said they had been told yesterday they would have to subscribe at the top end of the 140p to 170p price range set two weeks ago, to have a chance of buying.

The price and allocations will be announced on Monday. Analysts said they expected the offer to be priced at between 165p and 170p.

Thomson Travel Group is being floated in its entirety by Thomson Corporation, the Canadian publishing company. It is the largest UK stock market flotation this year. The company has made sales presentations to potential investors in the US and Europe but UK investors are expected to form the backbone of the ownership.

The Thomson family, which owns just under 70 per cent of the corporation, intends to acquire up to 20 per cent of the shares. Private investors have been given a 10 per cent slice.

Some of the share shops appointed to handle the applications have struggled to keep up with demand. Thomson said that some private investors had not received their application forms, despite registering early. "Technically, we don't have to help them but they will be looked after," said a spokesman for Thomson.

Emerson wins test-case battle

By Andrew Edgecliffe-Johnson

Institutional investors in Astec (BSR), the manufacturer of power convertor equipment, have lost their High Court battle against Emerson Electric of the US, its 51.1 per cent shareholder, which they had accused of acting in a way "unfairly prejudicial" to other investors.

The unprecedented attempt by a group of minority shareholders to mount a legal challenge to the behaviour of a majority shareholder had been seen as a test case for minority shareholders. The judgment came as a shock to many institutional shareholders.

Emerson's dispute with the minority shareholders dates from January, when it mooted an offer for those shares it did not already own, at no premium to the 111p price at which the shares were trading at the time, and also threatened to cease dividend payments.

Electra Fleming, Norwich Union and Equitable Life Assurance had brought a petition under Section 459 of the Companies Act (1985), which deals with unfair prejudice.

But it was struck out yesterday by Mr Justice Jonathan Parker on the grounds that the petition was misconceived and unsustainable, had no basis in law and was an abuse of the process of the court. Emerson called the judgment "a complete vindication" of its behaviour and said the court rejected as "unsustainable" all allegations of bad faith on its part.

The institutions which had accused Emerson of "bullying" tactics, will now have to pay the US group's costs, on the "indemnity" basis which tends to be more generous to the recipient.

George W. Tamke, president and chief operating officer of Emerson, said: "The outcome fully vindicates Emerson's position that we acted with complete propriety at all times in relation to Astec and our controlling interest in Astec."

EQUITIES

Europe dips across the board

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

Trans-European equity indices fell yesterday on interest rate concerns, overnight losses in Asia and early weakness on Wall Street.

The decline was broadly based, though automobile stocks rose for the second day on confirmation from Daimler-Benz and Chrysler that they intended to merge.

The FTSE Eurotop 300 index, which tracks 300 of the region's largest stocks, closed down 17.06 at 1207.75, while the Eurotop 100 index closed at 2778.29, down 40.02.

The FTSE Ebloc 100 index, which tracks companies from monetary union "in" countries, fell 13.84 to 989.88.

In the currency markets, the D-Mark gained strongly against non-euro "in" currencies, notably sterling, the dollar and yen, but was steady against other Emu founder states.

Bond markets across Europe closed broadly lower, with UK gilts particularly heavily hit. German bonds, likely to form the euro zone benchmark across much of the yield curve, ended mixed, with some modest rises at the short end and a dip at the long. The yield on the 10-year stood around 5.01 in late trading, against 4.99 the previous night.

Bond and equity markets were also nervous ahead of today's important US economic statistics, the figures for April non-farm payrolls.

The Eurotop 300 automobile group rose 0.84 per cent on speculation of further industry consolidation. Daimler-Benz led with a rise of Ecu 3.4 to Ecu 101.61, while Deutsche Bank, with a large stake in Daimler, was up Ecu 0.3 at Ecu 76.05.

Volkswagen gained Ecu 3.6 to Ecu 735.62, though the market closed before news came that it had beaten rival BMW in the takeover battle for Rolls-Royce Motor Cars.

Volvo of Sweden's B shares rose Ecu 0.1 to Ecu 28.88. It said it had no plans for its car division to take part in global restructuring but was interested in restructuring its trucks and commercial vehicle operations.

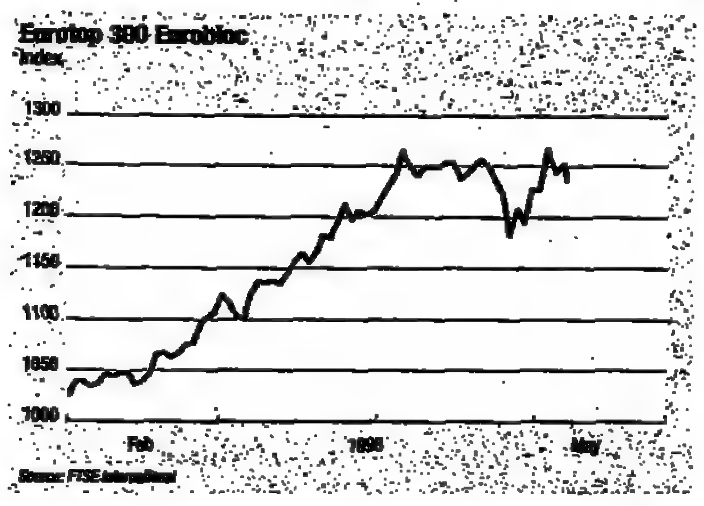
Renault, which rose sharply on Wednesday, dipped Ecu 1.0 to Ecu 45.39 on profit-taking, in spite of reporting a 24 per cent increase in first-quarter sales. French rival Peugeot, which lagged Renault on Wednesday, gained Ecu 3.0 to Ecu 171.44. Fiat shares rose Ecu 0.1 to Ecu 4.10.

Retail banking stocks declined 1.17 per cent across the region, though a notable exception was Société Générale of France, which jumped Ecu 12.7 to Ecu 209.15 following a bullish presentation on growth prospects by management to shareholders on Wednesday.

The insurance sector was off 2.60 per cent, with Belgian-Dutch financial services group Fortis down Ecu 10.4 at Ecu 251.23 as bid talks with Générale de Banque appeared to be at a standstill. In Germany, Allianz dipped Ecu 15.2 to Ecu 279.42.

Information technology was the hardest hit sector, losing 3.3 per cent. SAP fell Ecu 16.7 to Ecu 460.78, while Cap Gemini dropped Ecu 3.3 to Ecu 115.56.

Other notably weak sectors included healthcare and support services.



THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	-	95.740	-	-	-	0	0
Jun	95.760	95.740	-	95.760	95.730	267	12685
Jul	-	95.740	-	-	-	0	0
Sep	95.790	95.760	-	95.775	95.745	221	17245

OTHER INDICES

	May 7	May 6	May 5	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3234.82	3285.73	3278.45	3386.00	2574.51	3386	2976.42
DJ Euro Stx 50	3216.03	3282.55	3281.38	3345.86	2488.81	3345.85	2865.52
MSCI Europe	1206.08*	1217.84	1217.33	1248.82	950.50	1248.82	518.78

Source: Datastream of FT Information. *Subject to revision next day.

FTSE Actuaries Share Indices European series

Produced in conjunction with the Faculty and Institute of Actuaries

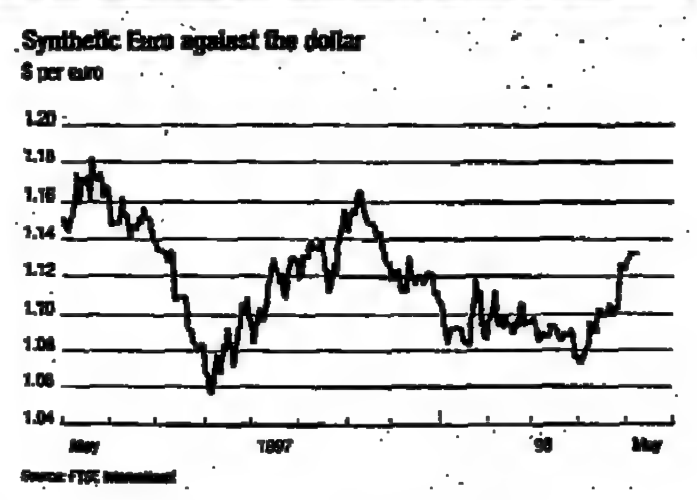
May 07 National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1207.75	−1.39	−17.06	1.95	9.58	1226.99
FTSE Eurotop 100	2773.29	−1.42	−40.02	2.02	4.02	981.05
FTSE Ebloc 100	989.88	−1.38	−13.84	1.82	1.07	990.94
FTSE Eurotop 300 Regions						
Eurobloc	1233.97	−1.38	−17.33	1.80	4.21	1243.08
UK	1139.31	−1.76	−20.46	2.80	16.71	1175.40
Europe Ex-Eurobloc	1190.37	−1.40	−16.90	2.29	13.50	1216.71
Europe Ex-UK	1247.39	−1.20	−15.19	1.52	5.45	1256.19
FTSE Eurotop Industry Sectors						
RESOURCES	1025.01	−0.89	−9.24	2.70	7.15	1046.93
Extractive Industries	981.72	−1.28	−12.74	2.63	0.00	981.72
Oil, Integrated	981.96	−0.86	−8.56	2.71	0.00	981.96
Oil, Exploration & Prod	973.09	−1.40	−13.79	2.49	0.00	973.09
GENERAL INDUSTRIES	1187.00	−0.68	−8.09	1.80	8.87	1199.33
Construction	1058.92	−1.19	−12.71	2.89	0.00	1058.92
Building Matls & Merchs	1022.90	−0.25	−2.58	2.59	0.00	1022.90
Chemicals	981.39	−0.41	−4.06	2.19	7.89	989.20
Diversified Industrials	1000.70	−1.30	−13.13	2.11	0.00	1000.70
Electronic & Elect Equip	1024.79	−0.81	−8.36	1.62	0.00	1024.79
Engineering	995.19	−1.64	−16.60	2.04	0.00	995.19
Paper, Pckg & Printing	1014.45	−1.52	−15.70	2.33	0.00	1014.45
CONSUMER GOODS	1140.89	−1.67	−19.43	1.62	8.95	1162.38
Automobiles	1064.79	+0.84	+8.86	0.85	0.00	1064.79
Alcoholic Beverages	977.73	−2.24	−22.38	2.36	0.00	977.73
Food Producers	979.65	−1.99	−19.91	1.59	2.05	981.66
Household Goods & Texts	988.11	−1.40	−14.06	1.25	0.72	988.81
Healthcare	949.48	−2.55	−24.84	2.42	0.00	949.48
Pharmaceuticals	993.20	−1.57	−15.85	1.34	0.00	993.20
Tobacco	988.48	−0.54	−5.38	4.29	0.00	988.48
SERVICES	1138.80	−1.54	−17.78	1.92	7.10	1154.97
Distribution	1001.57	+0.34	+3.41	0.98	0.00	1001.57
Leisure & Hotels	988.83	−1.44	−14.46	2.45	0.00	988.83
Media	987.74	−0.93	−9.30	2.33	0.00	987.74
Retailers, Food	980.67	−0.73	−7.18	2.07	0.00	980.67
Retailers, General	974.61	−1.67	−16.55	2.30	0.00	974.61
Telecommunications	984.25	−2.04	−20.53	1.62	0.00	984.25
Breweries, Pubs & Rests	961.83	−0.40	−3.83	2.79	0.00	961.83
Support Services	976.54	−2.54	−25.46	1.33	0.00	976.54
Transport	977.50	−0.10	−1.03	2.25	0.28	977.78
Information Technology	982.91	−3.30	−33.57	0.42	0.00	982.91
UTILITIES	1276.24	−2.18	−28.44	3.40	23.71	1315.42
Electricity	975.38	−2.06	−20.52	3.51	0.00	975.38
Gas Distribution	971.35	−2.45	−24.37	1.89	83.72	1059.72
Water	953.82	−2.42	−23.66	5.29	0.00	953.82
FINANCIALS	1346.38	−1.65	−22.61	1.85	11.45	1384.92
Banks, Retail	986.82	−1.17	−11.67	2.09	2.16	988.93
Insurance	975.23	−2.60	−25.99	1.38	0.00	975.23
Life Insurance	966.78	−2.54	−25.19	1.54	0.00	966.78
Other Financial	989.43	−0.97	−9.70	1.98	0.00	989.43
Investment Companies	967.86	−1.52	−14.95	2.28	0.00	967.86
Property	982.51	−2.12	−20.84	2.75	0.00	982.51

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

May 07	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.085918	+0.0027	0.02	+0.0013	0.01
Belgium	BEF	41.228812	−0.0255	−0.06	−0.0189	−0.05
Czech Republic	CZK	36.831673	+0.0653	0.18	+0.2253	0.62
Denmark	DKK	7.620650	−0.0048	−0.06	−0.0010	−0.01
Finland	FIM	6.072613	−0.0024	−0.04	+0.0046	0.08
France	FRF	6.701850	−0.0017	−0.03	−0.0005	−0.01
Germany	DEM	1.889008	+0.0003	0.02	+0.0004	0.02
Greece	GRD	349.287750	+1.9300	0.56	−0.9268	−0.26
Hungary	HUF	236.808232	+0.5685	0.24	+1.8581	0.79
Ireland	IEP	0.796973	+0.0017	0.22	+0.0040	0.50
Italy	ITL	1971.634129	+0.2724	0.01	−1.6833	−0.09
Luxembourg	LUF	41.228812	−0.0255	−0.06	−0.0189	−0.05
Netherlands	NLG	2.252084	−0.0004	−0.02	+0.0017	0.08
Norway	NOK	8.354844	+0.0498	0.60	+0.0484	0.58
Poland	PLN	3.831070	+0.0252	0.66	+0.0482	1.27
Portugal	PTE	204.728704	+0.0582	0.03	−0.1485	−0.07
Romania	ROL	9582.491091	+15.4589	0.16	+316.0528	3.41
Russia	RUB	6.942008	+0.0109	0.16	+0.1152	1.69
Slovakia	SKK	38.801988	−0.0495	−0.13	+0.1719	0.45
Spain	ESP	168.787482	−0.0351	−0.02	+0.0346	0.02
Sweden	SEK	8.598742	+0.0211	0.25	−0.0204	−0.24
Switzerland	CHF	1.665007	−0.0059	−0.35	−0.0055	−0.33
United Kingdom	GBP	0.688625	+0.0073	1.07	+0.0225	3.38
ECU	ECU	1.015143	+0.0012	0.12	+0.0043	0.43
Americas						
Brazil	BRL	1.297348	+0.0008	0.06	+0.0232	1.82
Canada	CAD	1.631914	+0.0027	0.16	+0.0389	2.44
Mexico	MXN	9.632925	+0.0336	0.35	+0.1777	1.86
United States	USD	1.133852	+0.0008	0.07	+0.0196	1.76
Pacific/Middle East/Africa						
Australia	AUD	1.782196	+0.0084	0.48	+0.0740	4.33
Hong Kong	HKD	8.782911	+0.0070	0.08	+0.1558	1.81
Japan	JPY	150.775482	+0.4437	0.30	+3.6151	2.46
Singapore	SGD	1.842264	+0.0144	0.79	+0.0786	4.46
South Africa	ZAR	5.740995	+0.0144	0.25	+0.1083	1.94

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends.



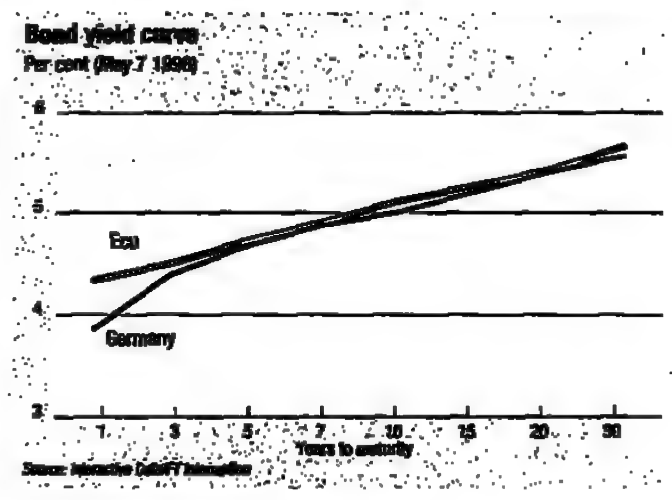
EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

May 07	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0385	0.01	0.02	7.0456	4.06	0.2
Belgium	20.6255	20.6237	−0.01	0.06	20.6295	3.9	0.04
France	3.35386	3.3528	−0.04	−0.01	3.3524	3.85	−0.01
Finland	3.04001	3.0378	−0.07	−0.13	3.0396	3.95	0.09
Ireland	0.402676	0.3987	−0.99	−1.47	0.4029	5.5	1.64
Italy	990.002	986.4072	−0.36	−0.26	991.3435	4.64	0.78
Luxembourg	20.6255	20.6237	−0.01	0.06	20.6295	3.9	0.04
Netherlands	1.12674	1.1286	−0.01	−0.07	1.1285	3.85	−0.01
Portugal	102.505	102.4152	−0.09	0	102.6153	4.16	0.3
Spain	85.0722	84.9359	−0.16	−0.15	85.1427	4.24	0.38
Germany	1					3.86	

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS



GOVERNMENT BOND SPREADS vs ECU

May 07	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	−0.16	−0.04	0.04	−0.02	−0.13	0.00
Belgium	−0.10	0.00	0.04	0.03	0.00	−0.01
Finland	−0.14	0.07	0.06	0.00	−0.32	−0.56
France	−0.19	−0.06	−0.07	−0.04	−0.05	−0.09
Germany	−0.22	−0.05	−0.03	−0.11	−0.02	−0.10
Ireland	0.50	0.17	0.12	0.11	0.08	0.12
Italy	0.19	0.20	0.15	0.14	0.17	0.09
Luxembourg	−0.10	0.00	0.04	0.03	0.00	−0.01
Netherlands	−0.14	−0.04	−0.04	−0.07	−0.02	−0.12
Portugal	−0.09	0.11	0.05	0.05	0.35	0.37
Spain	−0.06	0.02	0.10	0.06	0.19	0.31
"Outs"						
Denmark	0.47	0.35	0.29	0.23	0.16	0.17
Greece	5.44	4.11	3.30	2.68	2.34	2.10
Sweden	0.49	0.37	0.29	0.21	0.16	−0.08
UK	2.04	1.27	1.07	0.75	0.48	0.04

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CORPORATE BONDS

May 07	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	104.820	5.14	0.03	0.19	0.03
France (Rep of)	04/08	5.250	N/A	101.410	5.07	0.02	0.18	−0.04
Italy (Rep of)	05/08	5.000	AA	98.840	5.18	0.02	0.10	0.07
Portugal (Rep of)	06/08	5.375	AA−	101.460	5.18	0.01	0.15	0.07
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	100.050	4.86	−0.01	0.33	0.14
Gen Electric Cap Crp	10/04	5.500	AAA	102.680	5.00	0.00	0.21	0.16
Oest Kontrollbank	04/08	5.250	AAA	100.250	5.21	0.03	0.14	0.10
Cred Local de France	04/08	5.250	AA+	98.850	5.39	0.02	0.17	0.28
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	101.310	4.54	−0.01	0.09	0.04
Cred Foncier France	09/04	6.375	A	114.520	5.41	0.00	0.11	0.57
Euro Inv Bank	04/04	5.250	AAA	102.380	4.78	0.03	0.14	−0.06
ABN Amro Hldg. NV	04/07	6.375	AA−	108.300	5.47	0.03	0.12	0.41

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

EUROZONE CREDIT SPREADS vs ECU

May 07	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	0.02	0.06	0.07
France Telcom	AA+	11/06	6.250	FRF	0.18	0.30	0.28
Halifax	AA	07/07	5.625	DEM	0.21	0.29	0.30
Ing Bank NV	AA−	01/08	5.500	NLG	0.19	0.24	0.28
Bayer Hypo W Bk	A+	02/02	6.750	ITL	0.29	0.75	0.77
Cred Foncier	A	02/03	7.250	DEM	0.45	0.87	0.90
Thomson-Brandt Int	A−	03/04	6.375	FRF	0.35	0.57	0.63
Generale des Eaux	BBB+	03/04	6.250	FRF	0.25	0.50	0.59
Bank of China	BBB	07/99	7.125	DEM	0.65	0.91	0.90
Natl Bk of Hungary	BBB−	06/01	8.000	ATS	0.68	1.23	1.43
Korea Dev Bank	BB+	11/02	5.825	FRF	4.14	4.63	5.46

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or −	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES · AUTOMOBILES · BANKS RETAIL · BREWERIES, PUBS & RESTAURANTS · BUILDING MATERIALS & MERCHANTS · CHEMICALS · CONSTRUCTION · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQPT. · ENGINEERING · EXTRACTIVE INDUSTRIES · FOOD PRODUCERS · GAS DISTRIBUTION · HEALTH CARE · HOUSEHOLD GOODS & TEXTILES · INFORMATION TECHNOLOGY · INSURANCE · INVESTMENT COMPANIES · LEISURE & HOTELS · LIFE INSURANCE · MEDIA · OIL, EXPLORATION & PRODUCTION · OIL, INTEGRATED · OTHER FINANCIAL · PAPER PACKAGING & PRINTING · PHARMACEUTICALS · PROPERTY · RETAILERS, FOOD · RETAILERS, GENERAL · SUPPORT SERVICES · TELECOMMUNICATIONS · TOBACCO · TRANSPORT · WATER	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes
[illegible]

Prices slip ahead of US employment data

GOVERNMENT BONDS

By Jeremy Grant and Vincent Boland in London and John Labate in New York

Prices slipped slightly yesterday in listless trading, marking time ahead of today's release of US non-farm payroll data, which are expected to spur market activity into next week.

European markets had again started weaker and this trend was confirmed when US Treasury prices opened lower ahead of the employment data.

Last month's figure was unexpectedly weak, leading to uncertainty over how the latest data would turn out. Analysts said concern was centred on a possible rise in hourly earnings, which would suggest inflationary pressures.

"That's the real sting in the tail, because you would begin to see signs of inflation in the labour market," said Kevin Adams at Barclays Capital.

US TREASURIES weakened ahead of the release of the data but were off the day's lows by early afternoon as hedge fund buying was reported.

The 30-year bond slipped ¼ to 102¾, sending the yield up to 5.95 per cent. Shorter-term issues also fell. The two-year note was down $\frac{1}{32}$ to 100$\frac{4}{32}$, yielding 5.55 per cent, while the 10-year note fell $\frac{1}{32}$ to 98$\frac{11}{32}$, yielding 5.68 per cent.

"I would call this a typical pre-employment day," said David Ging, market strategist at Donaldson, Lufkin & Jenrette. "It is really about position-squaring and getting ready for tomorrow's number."

Also influencing the market was the reaction to the announcement earlier in the week that the three-year note would be eliminated after the next sale in June as part of changes to the Treasury auction schedule.

The labour report is the week's most important economic release. The consensus forecast is for payroll employment to have risen 270,000 in April and for unemployment rates to have fallen slightly to 4.6 per cent.

European markets continue to be preoccupied by interest rate concerns. Activity remained light in both the cash and futures markets, with the latter remaining range-bound.

"Sentiment in the medium term is turning, and the market is struggling to hold gains," said Graham McDevitt, at Paribas.

GERMAN BUNDS led the downward trend, and the yield on 10-year bunds closed a whisker above 5 per cent.

"There's a mood building up that there will be a tightening in Germany", in spite of repeated signals from the Bundesbank that it would not rush into any change in its interest rate stance, said Mark Cliffe, international economist at HSBC Markets.

The June bund future settled 0.18 lower at 106.65, just above its low point for the day. Turnover was moderate, with 360,000 contracts traded on the Deutsche Terminbörse.

Short-dated bunds had reached fair value status, having priced in the trend towards higher rates, Mr McDevitt said, but it would take an actual rise to push the short end lower.

Investor interest was otherwise mainly focused on the US, and industrial production data had little impact. However, employment figures, officially due today, will be the first indicator of German economic activity in the second quarter.

A weaker pound hit UK GILTS, which tumbled with sterling after the Bank of England's decision to leave interest rates unchanged. The decision was expected, and reinforced the impression that investors have abandoned their love affair with the currency, at least for now.

With more and more investors now of the view that rates have peaked and that the next move would be downwards, attention is turning to UK inflation, with analysts saying the Bank was looking more likely to meet its target. That would be positive for gilts in the medium term.

The June gilt future settled $\frac{11}{32}$ lower at 108¼, with 71,000 contracts traded on Liffe by late afternoon. The spread between 10-year gilts and bunds widened three points to 96 basis points.

Other European markets also edged downwards in light trading, tracking bunds and Treasuries and also considering comments from various members of the newly appointed board of Europe's new central bank on what its stance would be on inflation and price stability. Generally, they appeared to be adopting the Bundesbank's stance on both.

SPANISH BONOS fell, despite the consensus that the Bank of Spain will cut rates again soon. The June future settled 0.16 lower at 108.33 in moderate volumes.

Good start to $11bn Texas Utilities loan

By Simon Davies

Syndication for the $11bn loan to Texas Utilities to fund its acquisition of The Energy Group – the largest European corporate loan since Glaxo's funding of its Wellcome acquisition in January 1995 – has got off to a positive start.

With the near-withdrawal of Japanese banks from the syndicated loan market, and lukewarm responses to a number of sizeable loans this year, there has been significant focus on Texas's jumbo loan.

The deal was structured when Texas first launched its counter to PacifiCorp's agreed bid for Energy. But Texas's lead banks, Chase, Lehman Brothers and Merrill Lynch, have now formed a core underwriting group of around 25 banks.

Sources at Merrill reported a positive response to general syndication among a wider bank group, but some participants suggested that, given current market conditions, the underwriters were likely to end up with more than they would have planned.

Bankers have been given plenty of comfort. Texas has provided assurances that much of the loan will be repaid within a relatively short time, as it refinances through new equity, bond or loan issues.

Also the precedents are supportive. The loan to fund the acquisition of Yorkshire Electricity by a US consortium last year was repaid within six months.

Moreover, Texas is an investment grade credit, but is paying 125 basis points over Libor for the bulk of the drawn loan.

This is an attractive spread compared with the $3bn acquisition financing for Bass earlier this year at 22½ basis points over Libor, or the 40 basis point spread on the jumbo loan to BAT Industries late last year.

The high price paid by Texas reflects the leverage. The takeover vehicle will have a debt to capitalisation ratio of 65 per cent – ie, debt to equity of around 200 per cent – but this is less geared than the structure put forward by opposing bidder, PacifiCorp. And it is clear that gearing will come down rapidly.

The Texas deal has a complex structure. There is a $5bn loan to Texas, of which $2.1bn is refinancing existing debt and the remainder is providing equity for the acquisition vehicle.

There is then a £3.625bn facility, providing debt for the acquisition vehicle and capital for the electricity business. The bulk of the loan has a five-year tenure, but there is a 10-month tranche that is due to be repaid from the proceeds of the sale of Peabody Coal.

The deal comes at a busy time for the loan market, which is also facing the launch of a $2bn facility to fund Bacardi's acquisition of Dewars and Bombay Gin from Diageo.

There has been an explosion in the level of leveraged syndicated loans, with issues so far this year already well over double the level of last year, and some indigestion resulting, as demonstrated by the IPC, William Hill and HMV Media deals.

Subordinated offering from Komercni Finance

INTERNATIONAL BONDS

By Edward Luce

Komercni Finance, the borrowing arm of the partially privatised Czech bank, issued the first emerging market subordinated bond in a $150m offering yesterday.

The 10-year bond steps up into a higher-yielding floating rate format if it is not called after five years.

It is the second bond issue by the bank, which is the largest in its domestic market. Its first was in 1996.

An official at J.P. Morgan, joint lead with CSFB, said more subordinated issues were expected from east European banks as their governments negotiated membership of the European Union.

"Many banks are looking to improve their BIS [Bank for International Settlements] ratios," said the banker.

An official at CSFB said about one-third of the placement went to US investors, many of them emerging market funds. In contrast, much of the EU book was dominated by funds specialising in subordinated debt. The five-year fixed-rate portion was priced to yield a spread of 350 basis points over Treasuries.

COUNCIL OF EUROPE issued a four-year $400m bond benchmarked against possibly the last three-year US Treasury. The bond, led by Tokyo Mitsubishi and Merrill Lynch, was priced to yield 24.5 basis points over the when-issued Treasury.

This week the US Treasury announced it would discontinue three-year notes and reduce five-year volume owing to the improved fiscal situation in the US.

The move, coupled with the fact that next week's three-year issue will be smaller than in previous auctions, has boosted the when-issued bond, which is now trading through the two-year maturity.

SCOTTISH POWER returned to the sterling sector with a 25-year £250m offering. The bond, priced to yield 90 basis points over the 2021 gilt, is one of the few long-dated sterling bonds to have hit the bond market recently. Most of it was swallowed by UK institutions, said an official at Barclays Capital, lead manager.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Council of Europe	400	5.75	99.65R	May 2002	0.225R	+24½(Wl 3yr)	Merrill Lynch/TMI
Freeport Terminal Malta(a)	250	7.25(j)#	99.514R	May 2028	0.875R	+133(30yr)	B Stearns/BT Alex Brown
Canadian Wheat Board	250	5.75	99.665R	May 2001	0.1875R	+22(5⅝%Feb01)	CIBC Wood Gundy
Komercni Finance(b)	200	(b1)#	99.56R	May 2008	0.75R	+350(Apr03)	CSFB/JP Morgan Secs
John Deere Credit	150	6.125(j)	99.594R	May 2003	0.325R	+52(5¾%Apr03)	Deutsche Bank
Derby Cycle Corp(c)	100	10.00#	100.00	May 2008	3.00	+432(Feb08)	Chase Securities
Bca Popolare di Brescia(d)‡	100	(d1)	100.00R	Jun 2003	0.25R	-	Morgan Stanley DW
European Inv'ment Bank*	70	3.10(s)#	92.80	Feb 2002	1.25	-	Nikko Europe
D-MARKS							
Northern German States	1bn	5.125	99.22R	May 2010	0.18R	+23(5¼Jan08)	ABN Amro/Commerzbank
Lehman Brothers Hldgs(f)‡	350	(f1)	99.847R	May 2005	0.375R	-	Lehman Bros Bankhaus
Derby Cycle Corp(c)	110	9.375#	99.585	May 2008	3.00	+450(Jan08)	Chase Manhattan Bank
STERLING							
Scottish Power(g)	250	6.75	99.421R	May 2023	0.625R	+90(8%-2021)	Barclays Capital
Cades(h)	50	6.25	99.92	Mar 2008	0.325	+30(7¼Dec07)	Merrill Lynch International
FRENCH FRANCS							
BNG	2bn	5.375	99.78R	Jun 2013	0.40R	+20(i)	Paribas/SG
SWISS FRANCS							
LB Rheinland-Pfalz(j)	100	2.00	99.40	Dec 2002	2.00	-	CSFB
EUROS(e)							
Republic of Argentina(k)	750	(k)	101.01	May 2028	1.00	+392(8¼%-04)	ABN Amro
San Paolo, Turin‡	500	(m)	99.922R	Jun 2003	0.15R	-	JP Morgan Securities
NEW ZEALAND DOLLARS							
World Bank(n)	100	7.25#	98.765	May 2003	0.15	-	RBC DS Global Markets
ESCUDOS							
United Mexican States‡	18.5bn	(o)	100.00R	Jun 2003	0.30R	-	Banco Finantia

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Make-whole call. b) Callable from 14/5/03 at par. b1) 9% to 14/5/03, then 6-mth Libor +500bp. c) Callable after 5 yrs. 33⅓% equity clawback. d) $300m launched Wednesday increased to $400m. Callable from Jun 01 at par. d1) 3-mth Libor +25bp. e) Pays in Ecu prior to Emu. Spread relates to French government Ecu bonds. f) Call from 27/5/02 at par. f1) 3-mth Libor +35bp. g) Standard UK utility language. h) Fungible with £250m. Plus 75 days accrued. i) Over interpolated yield. j) Fungible with SFr400m. Plus 157 days accrued. k) Represents 6 detachable coupons due 28/5/01, 06, 11, 16, 21 & 26, and principal. l) Long 1st coupon. m) 3-mth Libor +6¼bp. n) NZ$250m launched Wednesday increased to NZ$350m. o) 6-mth Lisbor +180bp. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

May 7	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.6615	4.98	-0.04	-0.11	+0.13	-1.44
	10/07	10.000	130.8307	5.67	-0.03	-0.17	+0.18	-2.11
Austria	09/99	7.000	103.6100	4.18	-0.01	-	+0.05	+0.30
	07/07	5.625	103.8300	5.09	+0.02	+0.02	+0.15	-0.66
Belgium	01/00	4.000	98.5700	4.28	-	+0.03	+0.11	+0.59
	03/07	6.250	108.1500	5.09	+0.02	+0.01	+0.15	-0.77
Canada	09/99	4.750	99.4800	5.15	+0.05	+0.07	+0.34	+0.37
	06/07	7.250	113.0000	5.40	+0.04	+0.04	+0.22	-1.24
Denmark	12/99	6.000	101.7100	4.83	+0.07	+0.35	+0.43	+0.80
	11/07	7.000	112.1800	5.33	+0.04	+0.08	+0.27	-1.08
Finland	01/99	11.000	104.5779	3.90	+0.01	+0.10	+0.16	+0.20
	04/06	7.250	114.2220	5.03	+0.02	+0.09	+0.22	-1.10
France	01/00	4.000	99.7452	4.15	-0.02	-	+0.04	+0.43
	10/04	6.750	110.7400	4.77	-	-	+0.11	-0.44
	10/07	5.500	103.4100	5.03	+0.01	+0.02	+0.15	-0.64
	10/25	6.000	106.1500	5.56	+0.03	+0.03	+0.16	-0.93
Germany	09/99	4.000	99.8500	4.03	-0.03	-	+0.03	+0.47
	11/04	7.500	114.5400	4.83	+0.01	+0.01	+0.13	-0.45
	07/07	6.000	106.8900	5.02	+0.02	+0.02	+0.16	-0.74
	07/27	6.500	113.3900	5.56	+0.02	+0.03	+0.16	-0.98
Ireland	04/99	6.250	101.0200	5.03	-	-0.05	+0.18	-1.10
	08/06	8.000	118.3900	5.20	+0.02	+0.02	+0.21	-1.49
Italy	05/00	6.000	102.6800	4.58	-	+0.02	+0.05	-2.07
	06/02	6.250	105.2500	4.79	-	-0.02	+0.07	-2.11
	07/07	6.750	111.3400	5.17	+0.02	-	+0.13	-2.23
	11/26	7.250	122.0800	5.68	+0.03	-	+0.15	-2.20
Japan	03/00	6.400	110.9800	0.44	-0.04	-0.07	-0.17	-0.51
	12/02	4.800	117.2800	0.95	-0.05	-0.11	-0.29	-0.93
	09/05	3.000	110.9700	1.42	-0.04	-0.10	-0.29	-1.01
	09/17	3.000	111.5400	2.35	-0.03	-0.11	-0.29	-0.85
Netherlands	11/99	7.500	104.6891	4.20	+0.03	+0.04	+0.07	+0.50
	02/07	5.750	105.1982	5.00	+0.02	+0.01	+0.15	-0.84
New Zealand	02/00	6.500	98.0068	7.73	+0.04	-0.04	-0.21	+0.28
	11/06	8.000	107.7239	6.77	-0.01	-0.15	-0.14	-0.92
Norway	01/99	9.000	103.0500	4.53	+0.02	+0.08	+0.16	+0.56
	01/07	6.750	108.8500	5.44	+0.03	+0.04	+0.22	-0.55
Portugal	03/99	8.500	103.5287	4.22	+0.02	-0.02	+0.09	-1.31
	02/07	6.625	110.2700	5.14	+0.02	+0.03	+0.17	-1.46
Spain	07/99	7.400	103.6900	4.20	-0.04	+0.02	-0.01	-1.12
	03/07	7.350	115.5800	5.12	+0.01	+0.01	+0.14	-1.60
Sweden	01/99	11.000	104.0991	4.72	+0.01	+0.01	+0.04	-0.13
	08/07	8.000	119.4830	5.28	-	+0.03	+0.12	-1.83
Switzerland	03/00	5.000	105.5500	1.88	-0.05	-0.03	-0.02	+0.13
	06/07	4.500	111.1000	3.08	-0.03	-0.01	+0.14	-0.47
UK	08/99	6.000	99.2344	6.63	+0.04	+0.07	+0.05	-0.10
	11/04	6.750	104.2500	5.95	+0.05	+0.05	+0.08	-1.09
	12/07	7.250	109.8672	5.89	+0.07	+0.06	+0.11	-1.21
	06/21	8.000	127.4375	5.82	+0.06	+0.04	+0.12	-1.33
US	10/99	5.625	100.1080	5.54	-0.04	-0.08	+0.05	-0.81
	11/04	7.875	111.6560	5.71	+0.01	-0.03	+0.13	-0.92
	08/07	6.125	102.6640	5.75	+0.03	+0.01	+0.15	-1.00
	08/27	6.375	105.4610	5.98	+0.01	-0.01	+0.12	-0.98
ECU	01/00	4.000	99.5000	4.30	-0.01	+0.03	+0.16	+0.03
	04/07	5.500	103.0800	5.08	-	+0.01	+0.14	-1.08

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

May 7	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.67	+0.67	-0.01	New Zealand	6.77	+1.77	+1.09
Austria	5.09	+0.09	-0.59	Norway	5.49	+0.49	-0.19
Belgium	5.14	+0.14	-0.54	Portugal	5.16	+0.16	-0.52
Canada	5.40	+0.40	-0.28	Spain	5.17	+0.17	-0.51
Denmark	5.34	+0.34	-0.34	Sweden	5.32	+0.32	-0.36
Finland	5.11	+0.11	-0.57	Switzerland	3.08	-1.92	-2.60
France	5.07	+0.07	-0.61	UK	5.86	+0.86	+0.18
Germany	5.00	-	-0.68	US	5.68	+0.68	-
Ireland	5.22	+0.22	-0.46	ECU	5.11	+0.11	-0.57
Italy	5.25	+0.25	-0.43				
Japan	1.42	-3.58	-4.26				
Netherlands	5.04	+0.04	-0.64				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

May 7	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	97.8472	7.66	-0.12	-0.15	+2.05
Poland	07/04	7.125	BBB-	102.4005	6.64	+0.05	+0.31	+1.01
Russia	06/07	10.000	BB-	94.7500	10.92	+0.12	+0.12	+5.25
LATIN AMERICA								
Argentina	09/27	9.750	BB	95.3000	10.25	+0.02	+0.27	+4.30
Brazil	05/27	10.125	BB-	95.6000	10.62	+0.09	+0.33	+4.67
Mexico	05/26	11.500	BB	119.5000	9.49	-0.02	+0.15	+3.56
ASIA								
China	07/06	7.750	BBB+	104.3202	7.03	+0.05	+0.22	+1.37
Philippines	10/16	8.750	BB+	94.4279	9.39	+0.16	+0.23	+3.80
Thailand	04/07	7.750	BBB-	94.8274	8.60	+0.14	-0.25	+2.93
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.4014	7.87	-0.06	+0.11	+2.31
South Africa	10/06	8.375	BB+	102.9508	7.87	-0.08	+0.25	+2.21
Turkey	09/07	10.000	B	101.9282	9.66	+0.12	+0.25	+3.99
BRADY BONDS								
Argentina	03/23	5.500	BB	75.3600	8.35	+0.03	+0.19	+2.46
Brazil	04/14	5.000	BB-	80.8800	8.76	+0.11	+0.49	+2.62
Mexico	12/19	6.250	BB	83.8000	7.60	+0.03	+0.16	+1.97
Venezuela	03/20	6.750	B+	84.5000	8.30	-0.02	+0.28	+2.45

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103.32	103.10	-0.13	103.36	103.04	89,795	82,145
Sep	102.85	102.64	-0.13	102.85	102.85	2	3,913

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Sep	CALLS -	PUTS Jun	PUTS Sep	PUTS -
102	1.33	1.45	-	0.15	0.74	-
103	0.61	0.90	-	0.43	1.17	-
104	0.19	0.51	-	1.01	1.77	-
105	0.04	0.25	-	1.85	2.50	-

Est. vol. total, Calls 13,346 Puts 15,924. Previous day's open int., Calls 54,178 Puts 45,776 .

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106.91	106.65	-0.18	106.98	106.62	59775	150956
Sep	106.54	106.28	-0.20	106.54	106.30	614	3161

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10650	0.46	0.55	0.73	0.87	0.31	0.77	0.95	1.09
10700	0.21	0.34	0.52	0.64	0.56	1.06	1.24	1.36
10750	0.08	0.19	0.33	0.47	0.93	1.41	1.55	1.69

Est. vol. total, Calls 13351 Puts 8595. Previous day's open int., Calls 200440 Puts 221641

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104.79	104.78	+0.04	104.86	104.73	118,519	264,258
Sep	104.64	104.62	+0.02	104.64	104.60	730	10,714

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	104.77	+0.03	-	-	0	741
Sep	-	104.61	+0.02	-	-	0	0

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	118.73	118.47	-0.19	118.86	118.45	28850	125829
Sep	119.25	118.95	-0.19	119.25	118.96	777	10041

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Jul	PUTS Jun	PUTS Jul
11800	0.86	1.25	0.21	0.50
11850	0.34	0.82	0.37	0.47
11900	0.15	0.65	0.68	0.70

Est. vol. total, Calls 1160 Puts 2720. Previous day's open int., Calls [illegible] Puts [illegible]

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.56	108.33	-0.16	108.64	108.29	58,564	95,083
Sep	-	108.11	-0.15	-	-	-	386

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103.05	102.84	-0.17	103.05	102.87	793	10120
Sep	-	104.19	-0.17	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108-25	108-06	-0-17	108-27	108-05	71881	232043
Sep	-	108-30	-0-51	-	-	0	0

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jun	PUTS Jun	PUTS Jun
108	0-37	[illegible]	0-21	[illegible]
109	0-11	[illegible]	0-59	[illegible]
110	0-02	[illegible]	1-50	[illegible]

Est. vol. total, Calls 1280 Puts 1000. Previous day's open int., Calls 42886 Puts 24425

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	120-14	120-14	+0-03	120-20	120-05	432,610	676,377
Sep	120-05	120-05	+0-02	120-15	119-16	4,132	103,206
Dec	119-25	-	-	-	-	2,251	38,858

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	132.20	132.20	-	132.23	132.11	1808	n/a
Sep	132.17	132.16	-	132.18	132.11	142	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	102.52	103.00	-0.02	-	-	7	5,050

US CORPORATE BONDS

May 6	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	104.2390	6.07	-0.04	+0.07	+0.47
NY Tel	08/25	7.00	A+	99.2061	7.06	-0.03	+0.09	+1.12
CWE	05/08	8.00	BBB	110.3939	6.56	-0.04	+0.14	+0.90
FINANCIALS								
GECC	05/07	8.75	AAA	117.1770	6.23	-0.03	+0.16	+0.57
Banc One	08/02	7.25	A+	103.8915	6.18	-0.05	+0.08	+0.58
US West	01/07	7.30	BBB+	105.0551	6.52	-0.04	+0.15	+0.86
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB	100.0317	6.20	-0.02	+0.11	+1.06
Wal Mart	05/02	6.75	AA	102.4753	6.04	-0.05	+0.07	+0.44
Dayton Hud	06/21	9.70	BBB+	132.0521	6.90	-0.03	+0.12	+0.96
AGENCIES								
FHLMC	04/07	7.14	N/A	107.7982	5.99	-0.04	+0.15	+0.33
SLMA	03/00	7.50	N/A	103.0351	5.72	-0.05	+0.10	+0.19
FNMA	02/18	8.95	N/A	130.6821	6.22	-0.04	+0.12	+0.28
FFCB	06/06	8.95	N/A	119.1721	5.92	-0.03	+0.15	+0.26
HIGH YIELD								
Stone Cont	02/01	9.88	B	103.0000	0.00	-	-	-
AK Stl	12/01	9.13	BB-	100.2500	0.00	-	-	-
Pacalta	06/04	10.75	B-	103.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.56
Prime rate	8½	Two month	-	Three year	5.59
Broker loan rate	7¼	Three month	5.10	Five year	5.62
Fed.funds	5½	Six month	5.32	10-year	5.68
Fed.funds at intervention	-	One year	5.41	30-year	5.95

INTERNATIONAL BONDS

May 7	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Wk's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	104.7500	5.06	+0.03	+0.16	+0.04
Spain	01/07	5.750	AA	104.2600	5.12	+0.02	+0.16	+0.10
Philip Morris	03/04	5.375	A	101.1300	5.14	+0.01	+0.12	+0.36
Finland FRN	09/02	3.570	AA	100.6147	4.09	-	+0.09	-0.45
EURO FFR								
Austria	01/04	5.500	AAA	103.2800	4.82	+0.02	+0.14	+0.08
Abbey Nat	02/04	8.000	AA	105.4400	4.89	-	+0.11	+0.16
Cred Foncier	02/04	8.125	A	119.7600	5.08	-	+0.11	+0.35
SCIF FRN	12/01	3.625	AA-	99.6137	4.29	-	+0.09	-0.13
EURO LIRA								
EIB	02/07	7.000	AAA	112.6500	5.16	+0.02	+0.07	-0.02
Abbey Nat	02/02	6.800	AA	106.6000	4.84	-	+0.02	+0.02
Walt Disney	08/00	8.625	A	107.3500	4.86	+0.01	-0.02	+0.25
EIB FRN	03/01	5.356	AAA	100.1000	4.45	+0.01	+0.07	-0.26
EURO £								
EIB	12/07	7.625	AAA	110.1489	6.18	+0.04	+0.09	+0.27
Dresdner Bk	12/07	7.750	AA-	107.4020	6.67	+0.06	+0.09	+0.76
British Gas	03/00	7.625	A+	101.1628	6.93	+0.05	+0.03	+0.47
Abbey Nat FRN	02/02	7.713	AA	99.9490	6.12	+0.05	+0.07	-0.04
EURO $								
EIB	04/07	7.250	AAA	108.2000	6.04	+0.01	+0.12	+0.37
ABN Amro	08/07	7.125	AA-	104.8635	6.41	-	+0.14	+0.74
Quebec	01/07	7.000	A+	104.2188	6.36	+0.05	+0.14	+0.69
Citicorp FRN	02/04	5.734	A+	100.1381	5.68	-	-	+0.05
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.5873	5.68	+0.01	+0.11	+0.14
Toronto	05/04	8.500	AA+	114.2930	5.64	+0.01	+0.18	+0.10
Bell Canada	07/99	10.625	A+	105.4877	5.63	+0.02	+0.21	+0.96
Deutsche B FRN	09/02	5.875	AAA	101.3117	5.53	+0.02	+0.14	+0.07
EURO YEN								
World Bank	03/02	5.250	AAA	116.9044	0.79	-0.05	-0.31	+0.14
Spain	03/02	5.750	AA	118.6500	0.83	-0.05	-0.28	+0.18
Cred Foncier	08/02	4.750	A	113.9731	1.34	+0.03	-0.25	+0.69
Italy FRN	07/99	0.711	AA	100.3394	0.15	-0.02	-0.07	-0.11

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu May 7	Day's change %	Wed May 6	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.27	-0.09	120.37	2.58	3.47
2 5-15 years (20)	163.88	-0.37	164.49	3.53	2.60
3 Over 15 years (5)	203.50	-0.61	204.75	4.25	1.99
4 Irredeemables (4)	[illegible]	-1.20	[illegible]	5.15	2.21
5 All stocks (47)	195.85	-0.34	196.39	3.32	2.59
Index-linked					
6 Up to 5 years (1)	215.33	-0.02	215.38	0.85	3.13
7 Over 5 years (11)	225.20	-0.11	225.45	1.58	2.37
8 All stocks (12)	223.11	-0.10	223.34	1.50	2.42

UK Indices

	Low coupon yield May 7	Low May 6	Low Yr. ago	Medium coupon yield May 7	Medium May 6	Medium Yr. ago	High coupon yield May 7	High May 6	High Yr. ago
5 yrs	6.02	5.97	7.36	6.12	6.07	7.42	6.13	6.08	7.48
15 yrs	5.84	5.78	7.75	5.86	5.80	7.77	5.97	5.90	7.83
20 yrs	5.84	5.77	7.81	5.85	5.79	7.80	5.97	5.90	7.83
Irred.†	5.96	5.90	7.83						

	Inflation 5% May 7	May 6	Yr. ago	Inflation 10% May 7	May 6	Yr. ago
Up to 5 yrs	2.80	2.79	3.21	2.01	2.00	2.55
Over 5 yrs	2.62	2.61	3.64	2.62	2.61	3.43

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 7	May 6	May 5	May 1	Apr 30	Yr ago	High*	Low*
Govt. Secs. (UK)	106.37	104.85	104.88	105.38	104.77	96.58	105.60	93.31
Fixed Interest	142.41	142.47	142.46	142.87	141.63	119.29	142.87	115.32

[illegible]

UK GILTS PRICES

Notes	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Price £	+ or -	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES & MONEY

Asian crisis tries to make a comeback

MARKETS REPORT

By Simon Kuper and Richard Adams

Last year's Asian crisis seems to have come alive again, as riots in Indonesia and a run of bad economic data hit most currencies in the region yesterday.

The Indonesian rupiah and Malaysian ringgit were among the worst victims. The rupiah fell to a three-month low against the dollar, but recovered to Rp9,450/650 after Bank Indonesia raised interest rates sharply. The currency is still 20 per cent down in the last two days. The market thinks the riots could unseat President Suharto or upset reforms agreed with the International Monetary Fund.

The pound fell 3 pfgs against the D-Mark – almost a daily ritual now – and lost 1.6 cents against the dollar to close at DM2.903 and $1.646. Sterling has dropped 21 pfgs in 38 days to its lowest level of 1998, hit by the belief that UK rates have peaked and that German rates are due to rise soon. The Bank of England surprised no one yesterday by leaving rates unchanged.

The pound and dollar rallied modestly against the D-Mark in late US trading on comments from two Bundesbankers. Johann-Wilhelm Gaddum, the bank's deputy president, said the Bundesbank had no target for dollar/D-Mark, quelling talk that the bank wanted its currency to rise. Hans Tietmeyer, Bundesbank president, said interest rates within the euro-zone did not have to start converging immediately.

Profit taking hit short sterling interest rate futures yesterday. The June 2000 contract lost 8 basis points.

■ The yen shared in the Asian malaise. Eisuke Sakakibara, the legendary Japanese finance ministry official, was reported to have told economists at a London roadshow last week that the yen could fall towards Y150 against the dollar if Japan's economy were still deteriorating by October. Mr Sakakibara added that he did not expect this. But to hear the yen's staunchest defender even mention the possibility of Y150 shook confidence in the market. The yen fell Y0.3 to Y133.0 against the dollar and dropped Y0.21 against the D-Mark to Y75.43.

■ Adding to fears for Asia was an article purportedly co-written by Yi Gang, economist at the People's Bank of China, which said China would come under pressure to devalue the yuan this year. However, Mr Yi and the rest of official China has disowned the article.

Jiang Zemin, the president, told Peter Job, the Reuters chief executive: "We still have enough confidence to say we will be able to maintain a stable currency."

Mr Jiang said the financial turmoil in Asia "has not had a profound impact on our export ability."

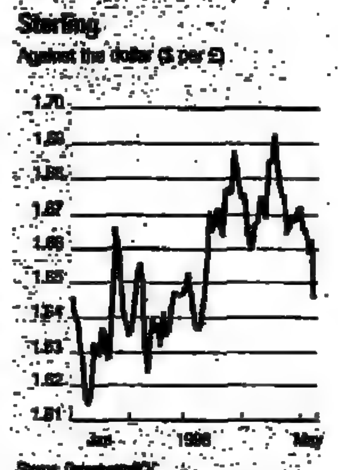
Yonghao Pu, senior economist at the Bank of China in London, said there was no economic rationale for a Chinese devaluation. He noted that the country's trade figures for the first quarter showed an annual increase of 13 per cent in exports. A devaluation would also deter foreign investment in China, put pressure on the Hong Kong dollar and could set off another round of competitive devaluations in the region. And it may not solve China's current economic difficulties. "China needs high-tec investment from foreign countries as the best way to improve competitiveness," Mr Pu said.

■ The market expects the present Asian crisis to be a lot less dramatic than last year's. Jonathan Chapman, regional head of foreign exchange at Standard Chartered in London, says there are no longer armies of investors in the region who need dollars, as there were last year. Now most foreign speculators have left Asia, and most local companies have hedged against further falls in their currencies.

Mr Chapman also notes that many Asian nations, notably Korea, have swung into trade surplus since their currencies devalued last year. That could help prevent new devaluations.

"From a long-term point of view, these currencies are still substantially undervalued," says Desmond Lachman, head of emerging markets economic research at Salomon Smith Barney in New York. However, he adds that the short term is a different matter.

Sterling
Against the dollar ($ per £)



Source: Datastream/ICV

■ POUND IN NEW YORK

May 7	—Latest—	— Prev. close —
£ spot	1.6483	1.6585
1 mth	1.6478	1.6560
3 mth	1.6412	1.6510
1 yr	1.6253	1.6365

■ OTHER CURRENCIES

May 7	£	$
Czech Rp	53.4508 - 53.5229	32.4930 - 32.5130
Hungary	343.778 - 344.008	208.920 - 208.970
Iran	4936.60 - 4936.50	3000.00 - 3000.00
Kuwait	0.5022 - 0.5029	0.3052 - 0.3053
Peru	4.6689 - 4.6769	2.8380 - 2.8410
Poland	5.5601 - 5.5666	3.3790 - 3.3815
Russia	10.0782 - 10.0841	6.1247 - 6.1257
U.A.E.	6.0434 - 6.0497	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.4265	-0.2127	185 - 344	20.6946	20.4145	20.358	4.0	20.2663	3.1	19.7964	3.1	103.1
Belgium	(BFr)	59.8895	-0.6725	156 - 233	60.6210	59.8156	59.6817	3.8	59.3239	3.8	57.9978	3.1	102.6
Denmark	(DKr)	11.0667	-0.1246	627 - 707	11.2187	11.0626	11.0448	2.4	11.0005	2.4	10.8121	2.3	104.8
Finland	(FM)	8.8186	-0.0971	126 - 245	8.9380	8.8126	8.7907	3.8	8.7383	3.6	8.5498	3.1	80.8
France	(FFr)	9.7324	-0.1056	277 - 371	9.8603	9.7227	9.7003	4.0	9.6406	3.8	9.4233	3.2	106.1

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4109	-0.0066	087 - 131	12.4573	12.3866	12.3882	2.2	12.367	1.4	12.1978	1.7	102.9
Belgium	(BFr)	36.3700	-0.049	510 - 010	36.5100	36.3500	36.3175	1.9	36.201	1.9	35.736	1.8	102.5
Denmark	(DKr)	6.7240	-0.0092	230 - 250	6.7583	6.7141	6.721	0.5	6.713	0.7	6.662	0.9	104.0
Finland	(FM)	5.3591	-0.006	556 - 605	5.3845	5.3539	5.3494	2.0	5.333	1.9	5.2661	1.7	80.2
France	(FFr)	5.9133	-0.0058	117 - 149	5.9393	5.9044	5.9029	2.1	5.8829	2.1	5.8053	1.8	105.6

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% [illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100% [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100% [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% [illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100% [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% [illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
95375	0.060			0.165		
95500	0.030	0.300	0.420	0.260	0.050	0.050
95625	0.010			0.365		

Est. vol. total, Calls 8128 Puts 8062. Previous day's open int., Calls 326962 Puts 290909

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100 [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ [illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100% [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM) [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% [illegible]

BASE LENDING RATES

[illegible]

INDIA REPORT URGES CHANGES TO INCREASE COMPETITIVENESS

Shake-up in store for sugar industry

By Kunal Bose in Calcutta

The Indian sugar industry *may be facing a shake-up*, with government restrictions removed to make the industry more globally competitive.

The country's new coalition government recognises that the industry needs to be liberalised. It is studying a report by a committee that recommends radical changes to the structure and pricing of sugar, of which India is the world's largest producer.

Om Dhanuka, of the Indian Sugar Mills Association, said it had assurances from S.S. Barnala, food minister, *that the government* would act quickly on the report.

The committee wants the government to tackle inefficiencies but to continue to fix the minimum price of cane. Prices, however, are to account for the cost of production, adequate returns for growers and the sugar content of cane. They are now based on the amount of sugar recovered from cane.

The committee agrees with ISMA that a dual-pricing system has caused the "greatest harm to the Indian sugar economy". *The government* collects 40 per cent of output at less than cost, which is distributed through ration shops. The balance is sold at market prices.

The ration shops have not benefited the poor, however, because of "large-scale leakage" into the open market.

According to a World Bank study, leakage amounted to 30 per cent of sugar destined for public distribution, or an annual 1.5m tonnes of sugar, involving more than Rs4bn ($100m).

The committee said if the *government* still wanted to supply sugar under the public distribution system, it should be bought by tender.

Government controls have also resulted in a large number of factories with an average capacity of only 2,150 tonnes a day. This compares with nearly 11,000 tonnes a day for mills in Thailand.

"The majority of 440 factories are uneconomic and state governments were forced to take over many of them to protect employment," said Mr Dhanuka.

In anticipation of the *sweeping changes the stronger companies are expanding* their factories and buying the weak units.

"An *industry-friendly* policy, which will also encourage the farmers to grow more cane, will create the environment for sugar group mergers. This will give state governments an opportunity to withdraw from the industry, which they are keen to do," said Sarvadaman Roy, an industry analyst.

Local producers are also annoyed by unrestricted imports of duty-free sugar. But the committee maintained that imports protected the consumer and improved the efficiency of *domestic producers*.

However, it supported the case for customs and countervailing duties on imports because these would create a level playing field.

Mr Shishir Bajaj, president of ISMA, said price liberalisation would enable India to export between 2m kg and 3m kg of sugar a year.

Western Metals bids for pillar of Australian mining sector

An audacious offer for Aberfoyle to form a broad-based metals business has to be taken seriously, writes **Kenneth Gooding**

It looks at first sight the most audacious hostile mining takeover bid for many years. Western Metals, only four years old and scarcely known outside its native Australia, is bidding A$270m (US$172m) for Aberfoyle, formed in 1926 and a pillar of the Australian mining establishment.

Western, which is also smaller than Aberfoyle, has already proved it should be taken seriously. Institutions owning about 15 per cent of Aberfoyle have so far agreed *to accept the bid if no higher* one comes along – and it is a cash offer.

Western's young management team is admired for the way it has built up in a short time one of the world's big zinc producers. Its main shareholders include Colonial Mutual Life Assurance, Mercury Asset Management, N.M. *Rothschild and County* Natwest.

It will fund the offer partly through an issue of ordinary and preference shares, fully underwritten by the Macquarie banking group, which is acting as its adviser. This will provide A$174m – similar to Western's present market value. There will also be about A$100m of bank debt.

Rod Webster, Western's chief executive, says: "We are encouraged by the strong support we have received from a broad range of major institutions."

Western was set up by Mr Webster, a 44 year-old mining engineer with more than 20 years' hands-on experience, including lead and zinc mining in the Broken Hill *region of Australia, copper* mining in Zambia and tin mining in Indonesia.

While he was BHP Minerals' base metals manager in 1987-88 he was in charge of developing the Cadjebut zinc-lead mine in Western Australia.

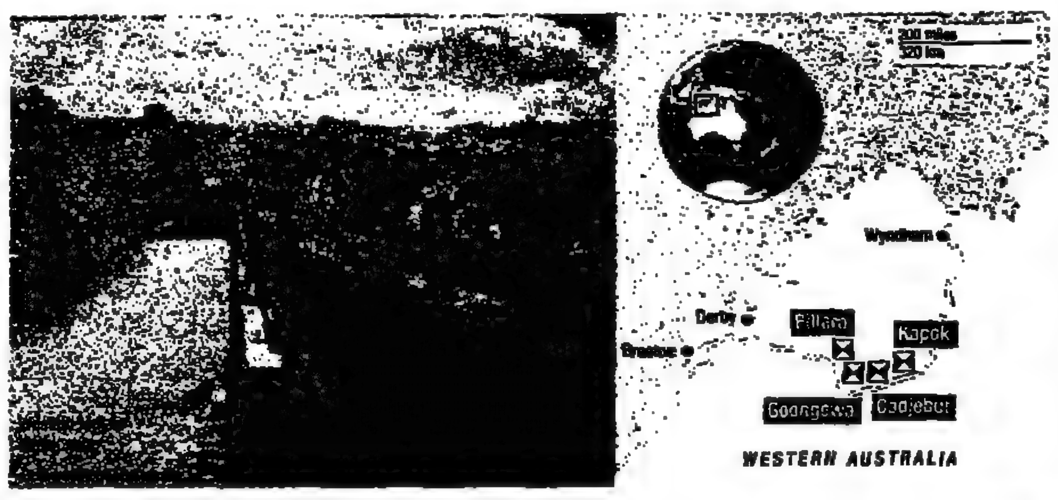
In 1988 he joined Homestake Gold of Australia and *shortly afterwards* Homestake, the US gold group, bought back its former Australian arm, closed the Adelaide office where Mr Webster was located, and moved him to Perth.

"After six months in Perth I decided it was time to do something on my own account," he recalls. He knew Cadjebut had been for sale for about a year and was to be closed because no buyer had come forward.

Mr Webster wanted control of the Lennard Shelf area of Western Australia where Cadjebut was located and where there were numerous exploration joint ventures.

He approached Jerry Ellis, then managing director of *BHP Minerals, part owner of* Cadjebut, whom he had worked with and known since they were boys. "Jerry said: Give us a reasonable offer, put the finance together and its yours."

It was not quite as easy as that, but Mr Webster went ahead and raised A$20m by floating Western Metals and took control of Cadjebut in July 1994. Headhunters found him a chairman in Alan Castleman, who had extensive experience with BHP in engineering, finance and management.



In early 1994 Cadjebut had only about 18 months life left but since then Western has discovered and built two new mines, Goongewa and Kapok, to provide feed for the Cadjebut processing plant and has developed the stand-alone Pillara mine on *the Lennard Shelf, which is* scheduled to start up in July this year. It has also built a new export facility at the port of Derby.

Lennard Shelf is one of the remotest areas in Australia, 500km east of the coastal town of Broome. It is so hot and humid in summer that exploration stops between November and April.

Western has spent about A$200m on acquiring and developing the Lennard Shelf operations. When the Pillara mine reaches full output, Western will be the world's seventh biggest zinc producer, with annual capacity of 170,000 tonnes of that metal, as well as 60,000 tonnes of lead.

Aberfoyle's main attraction for Western is its Gun*powder copper project* in north-west Queensland. Gunpowder produces only 8,000 tonnes of copper a year but will have completed a A$125m expansion by September, taking annual output to 44,000 tonnes.

Gunpowder will be using a new technology that does away with conventional smelting and refining but produces high grade copper suitable for delivery on the London Metal Exchange.

Aberfoyle's *other mining* asset is the Hellyer lead-zinc mine in Tasmania, which is expected to close in mid-2000 but will provide useful cashflow until then.

The bid from Western has been rejected. Max Richards, Aberfoyle's chairman, maintained that it was not "offering a suitable premium".

Western has to convince *Aberfoyle's mainly* institutional shareholders that a broader based metals business is more appealing than the pure copper "play" that Aberfoyle is becoming and that a A$460m company is more likely to rise in value than one of A$280m.

Many analysts say Western will have to raise its offer if it is to win Aberfoyle but Mr Webster insists the bid of A$2.85 a share, pitched at 25 per cent above the average *share* price of Aberfoyle in April, is both "full and fair".

Oil firmer on production cut hopes

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Gary Mead

Crude prices firmed yesterday as world oil markets remained transfixed on the possibility of further production cuts.

Brent Blend for June delivery was up 12 cents at $14.61 a barrel in late trading. Prices also firmed on the New York Mercantile Exchange, with its June futures contract also up 17 cents, at $15.54 a barrel, in early afternoon trading.

Oil prices have see-sawed over the past week on rumours that petroleum ministers from several key exporting countries might soon meet to discuss a new round of cuts to reverse recent price weakness.

Mexico, a signatory to the Riyadh Pact last March that led to a co-ordinated global output cut, yesterday signalled *that it was relatively* confident of meeting its budget target of $12.50 a barrel, although the average price of Mexican crude on Wednesday was $11.40 a barrel.

Luis Tellez, the energy minister, expressed confidence that Mexico's $12.50 a barrel target was attainable "unless the Asian countries collapse again".

On the bullion market, gold fell below $300 a troy ounce to close in London at $298.75, some $2 below Wednesday's close. Dealers said speculators who had bet on a price rise became tired of waiting and sold gold. This triggered selling by some investment funds.

Gold moved up from about $280 an ounce in mid-January to a five-month high of $314.70 on April 23 before *starting to fall again*.

Silver was also under pressure after falling below $6 an ounce on Wednesday but closed in London at $5.95 an ounce, up some 3 cents from Wednesday's close.

On the London Metal Exchange investment fund selling forced all but tin prices lower. Copper had a *second successive big daily* rise in LME stocks but Alan Williamson, analyst at Deutsche Morgan Grenfell, said *the fundamentals had not* changed in the past week to justify the weakening price, "although this is unlikely to prevent prices falling further in the short term".

Coffee traders on the London International Financial Futures Exchange endured a day in which only 1,752 lots changed hands. The lead contract, for July, closed $18 lower at $1,825 a tonne.

The picture was different in cocoa futures, where recent speculative interest intensified and drove volume to 16,141 lots.

The July contract finished the day at £1,135, £13 higher, having touched a peak of £1,140. Some traders said they foresaw a strong bull run emerging in the next few months.

Such speculation was supported by the publication of the International Cocoa Organisation's latest quarterly figures.

The ICCO raised its February forecast of a global cocoa deficit for 1997-98 of 145,000 tonnes to 185,000 tonnes, and revised downwards its projection of Ivory Coast's production for the current season to 1.11m tonnes from 1.15m tonnes.

World production for 1997-98 is now put at a probable 2.672m tonnes, against 2.703m tonnes forecast at the beginning of the year. Total world production of cocoa in 1996-97 *was 2.719m tonnes*, while grindings were 2.762m tonnes.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1379.5-80.5	1405-06
Previous	1411.5-2.5	1438-9
High/low		1433/1392
AM Official	1387-88	1411-12
Kerb close		1392-93
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1267-72	1291-93
Previous	1287-92	1310-12
High/low		1305/1290
AM Official	1270-72	1294-95
Kerb close		1288-90
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	544.5-5.5	560.5-1
Previous	549.5-50.5	565-6
High/low		561/558
AM Official	545.5-46.5	560.5-61.0
Kerb close		559.5-60
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5285-95	5380-85
Previous	5400-10	5495-500
High/low		5480/5350
AM Official	5265-70	5365-70
Kerb close		5380-85
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5780-90	5725-30
Previous	5815-25	5745-50
High/low		5740/5680
AM Official	5760-70	5710-15
Kerb close		5730-40
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1088.5-89.5	1114-15
Previous	1099-100	1125-6
High/low		1119/1106
AM Official	1082-82.5	1107-08
Kerb close		1110-11
Open int.	n/a	
Total daily turnover	n/a	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1779.5-80.5	1793-94
Previous	1822.5-3.5	1835-6
High/low		1814/1775
AM Official	1780.5-81.5	1791-92
Kerb close		1778-79
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6558
LME Closing £/$ rate: 1.6480

Spot: 1.6489 3 mths: 1.6421 6 mths: 1.6370 9 mths: 1.6315

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	78.80	-2.55	81.05	78.60	783	2,227
Jun	79.30	-2.45	81.20	79.25	398	3,504
Jul	79.55	-2.45	82.40	79.50	15,066	27,186
Aug	79.45	-2.30	80.95	79.80	82	1,818
Sep	79.45	-2.30	81.80	79.30	657	6,488
Oct	79.40	-2.15	80.95	79.65	19	1,498
Total					17,808	63,508

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	298.30-298.60		
Opening	300.50-300.80		
Morning fix	298.00	180.10	438.93
Afternoon fix	298.10	180.89	437.91
Day's High	300.50-300.80		
Day's Low	296.80-297.10		
Previous close	299.90-300.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.46	6 months	3.99
2 months	4.30	12 months	3.74
3 months	4.22		

Silver Fix	p/troy oz.	US cts equiv.
Spot	354.75	588.00
3 months	356.75	588.75
6 months	356.75	586.50
1 year	359.70	589.00

Gold Coins	$ price	£ equiv.
Krugerrand	304-307	185-187
Maple Leaf	-	-
New Sovereign	70-73	43-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	298.7	-1.8			-	-
Jun	299.6	-2.0	302.0	297.8	42,794	80,251
Aug	301.7	-2.1	304.0	299.8	842	10,773
Oct	303.7	-2.1	303.5	302.0	269	5,288
Dec	305.7	-2.0	308.0	304.0	1,037	18,336
Feb	307.4	-2.0	308.0	306.5	43	9,002
Total					45,332	168,079

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	393.6	-1.4	395.5	391.5	1,146	12,227
Oct	390.6	-1.4	390.5	390.0	8	777
Jan	386.5	-1.4	-	-	4	46
Apr	384.1	-1.4	-	-	1	11
Total					1,154	13,082

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	304.35	-3.00	306.00	297.50	410	3,068
Sep	281.35	+10.50	277.80	263.50	230	1,473
Dec	269.85	+9.00	265.00	265.00	-	291
Total					640	4,832

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	593.8	+5.7	593.0	583.0	290	583
Jul	597.5	+5.7	599.5	585.0	19,447	43,403
Sep	600.0	+6.2	602.0	588.0	597	6,274
Dec	600.0	+6.2	603.0	586.0	574	12,259
Jan	599.9	+6.2	-	-	-	15
Mar	599.1	+6.2	-	-	3	2,611
Total					21,811	73,082

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	15.65	+0.28	15.68	15.20	57,721	113.7k
Jul	16.24	+0.15	16.29	15.93	34,827	63,262
Aug	16.62	+0.06	16.69	16.40	13,801	39,028
Sep	16.92	+0.05	16.96	16.76	5,268	29,373
Oct	17.11	+0.03	17.13	16.99	1,166	20,044
Nov	17.25	-0.01	17.30	17.18	2,309	11,793
Total					130,639	482,005

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	14.61	+0.12	14.80	14.44	24,798	47,331
Jul	14.89	+0.04	15.08	14.75	19,191	62,481
Aug	15.20	-0.01	15.39	15.11	4,785	27,034
Sep	15.50	+0.05	15.60	15.35	1,034	13,026
Oct	15.57	-0.10	15.57	15.57	15	10,119
Nov	15.95	+0.12	15.97	15.96	875	10,898
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	44.30	+0.46	44.50	43.60	14,722	46,757
Jul	45.10	+0.26	45.30	44.60	8,903	20,932
Aug	45.90	+0.06	46.20	45.65	1,235	13,816
Sep	47.00	+0.11	47.25	46.75	558	12,057
Oct	47.85	+0.01	48.00	47.75	785	9,052
Nov	49.00	+0.06	49.00	48.85	712	8,669
Total					31,615	166,567

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	135.75	+1.25	136.50	134.25	10,422	18,372
Jun	137.50	+1.25	138.00	136.00	7,243	25,263
Jul	139.75	+1.00	140.00	138.25	1,913	11,345
Aug	142.50	+1.00	142.75	141.25	327	9,967
Sep	145.00	+1.00	145.50	144.00	265	10,843
Oct	147.75	+1.00	148.00	146.50	497	13,570
Total					17,092	136,313

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	9.080	-0.130	9.170	9.080	100	1,900
Jul	9.020	-0.030	9.050	9.020	180	1,260
Total					1,880	21,350

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.154	+0.019	2.180	2.116	30,692	36,948
Jul	2.200	+0.007	2.235	2.180	11,253	25,270
Aug	2.250	+0.005	2.280	2.235	6,615	21,384
Sep	2.265	+0.005	2.315	2.265	3,848	15,580
Oct	2.325	+0.005	2.355	2.310	2,374	15,579
Nov	2.470	+0.010	2.495	2.460	1,524	10,811
Total					68,017	244,818

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	53.05	+0.52	53.10	52.00	18,782	48,494
Jul	54.10	+0.48	54.10	53.20	8,258	22,322
Aug	54.45	+0.42	54.45	53.60	5,301	15,138
Sep	53.95	+0.26	53.95	53.20	2,427	14,733
Oct	52.80	+0.21	-	-	143	4,527
Nov	51.70	-0.29	51.80	51.70	568	633
Total					38,508	108,790

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	77.10	+0.35	77.10	76.75	10	231
Jul	79.25	+0.60	79.25	78.25	217	1,935
Sep	77.50	+0.75	77.00	77.00	15	155
Nov	79.50	+0.75	79.75	79.00	239	3,289
Jan	80.50	-0.25	81.65	81.25	40	662
Total					565	6,726

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	305.75	+0.75	309.00	302.00	2,596	2,154
Jul	316.00	-	321.00	312.50	29,306	68,667
Sep	324.50	-0.75	329.50	322.00	2,149	14,879
Dec	338.25	-0.25	343.00	335.50	4,257	23,462
Mar	349.25	-0.25	353.50	346.50	453	3,854
Jul	355.00	-1.00	360.00	355.00	5	201
Total					38,866	113,705

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	252.50	+0.25	254.25	248.75	8,763	8,338
Jul	260.25	-0.75	263.25	257.00	44,779	155,322
Sep	267.25	-	269.00	264.50	2,912	36,865
Dec	272.50	-0.25	274.00	270.50	23,988	121,766
Mar	280.00	-0.50	281.25	278.00	1,145	10,857
May	284.50	-0.50	286.00	283.00	199	1,798
Total					82,389	343,230

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	77.00	-1.00	-	-	-	70
Sep	75.00	+1.25	74.50	74.50	5	10
Nov	77.00	+1.25	77.00	76.00	24	760
Jan	79.00	+1.25	-	-	-	104
Mar	81.00	+1.25	-	-	-	1
Total					29	946

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	661.00	+2.00	661.75	655.50	2,614	6,600
Jul	659.00	+3.00	659.75	652.50	41,461	73,069
Aug	657.50	+4.00	659.00	651.75	2,065	14,145
Sep	643.75	+3.75	644.50	637.00	673	3,883
Nov	638.00	+3.75	639.00	631.50	11,826	44,721
Jan	644.50	+4.25	645.00	639.00	545	2,256
Total					59,323	147,116

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	29.15	+0.49	29.20	28.70	3,121	3,631
Jul	29.47	+0.41	29.60	29.01	12,314	94,553
Aug	29.53	+0.43	29.70	29.10	1,053	19,714
Sep	29.55	+0.48	29.65	29.07	545	12,070
Oct	29.32	+0.44	29.40	28.63	399	7,660
Dec	29.08	+0.32	29.25	28.68	6,381	28,979
Total					24,889	167,824

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	159.3	-0.5	161.0	158.0	4,403	3,756
Jul	162.8	-0.6	164.9	159.8	15,054	63,994
Aug	163.5	-1.5	166.3	161.2	1,142	18,898
Sep	164.3	-1.6	167.2	162.3	922	13,295
Oct	163.8	-1.9	166.5	162.4	534	9,145
Dec	166.7	-1.5	169.3	164.6	2,463	21,899
Total					34,731	135,236

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	138.0	-	-	-	-	-
Nov	75.0	-	-	-	-	3
Mar	105.0	-	-	-	-	-
Apr	151.0	-4.0	153.0	151.0	41	1,169
May	161.0	-4.0	-	-	-	29
Total					41	1,169

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	970	-25	990	990	4	353
Jun	935	-25	935	935	6	47
Jul	930	-10	935	935	2	347
Oct	1055	-13	-	-	-	179
Jan	1080	-10	-	-	-	58
Total					12	984

	Close	Prev
BFI	1094	1092

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	534.00	-1.75	534.00	534.00	10	550
Sep	556.00	-0.50	556.00	555.00	13	329
Total					23	849

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co
Australia: auctions were restricted to two selling days this week and prices rose quite sharply. The eastern market indicator rose a total 24 cents to 644 cents a kg, an 8 per cent rise since the post-Easter low. Analysts suggest however that when the full weight of next seasons' clip arrives later in the year demand may be insufficient to keep prices firm. New Zealand: the indicator was 13 cents higher at 446 cents a kg. Weakness in Australian and NZ dollars limits the increase many overseas buyers have to pay.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1114	+14	1116	1106	1,159	1,317
Jul	1134	+12	1140	1122	7,519	29,532
Sep	1152	+12	1158	1142	956	22,608
Dec	1170	+12	1175	1160	1,946	31,937
Mar	1189	+13	1191	1177	1,667	39,452
May	1203	+13	1205	1190	350	13,151
Total					16,141	150,725

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1725	+2	1735	1718	31	604
Jul	1722	+1	1736	1715	6,465	26,030
Sep	1739	+2	1752	1733	2,815	12,839
Dec	1765	-	1775	1764	322	15,066
Mar	1793	-	1802	1793	117	9,746
May	1811	-	1817	1815	47	3,767
Total					9,851	73,598

■ COCOA (ICCO) (SDR's/tonne)

May 6	Price	Prev. day
Daily	1338.10	1306.72

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1940	+7	1956	1930	341	5,332
Jul	1825	-18	1860	1825	1,038	22,225
Sep	1775	-16	1800	1775	290	6,476
Nov	1740	-14	1763	1747	91	2,306
Jan	1705	-14	1710	1710	3	158
Mar	1670	-14	-	-	-	357
Total					1,761	36,878

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	129.50	+0.50	130.25	128.50	101	1,182
Jul	127.25	+0.15	128.75	124.60	6,389	17,274
Sep	125.00	-0.20	126.50	123.25	2,114	7,748
Dec	121.50	-0.65	123.25	120.50	782	6,627
Mar	118.50	-0.60	120.50	117.50	326	2,120
May	117.20	-0.05	118.50	116.00	179	878
Total					10,045	36,421

■ COFFEE (ICO) (US cents/pound)

May 6	Price	Prev. day
Comp. daily	113.25	115.64
15 day average	117.05	117.78

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	260.1	+1.9	263.0	258.0	3,077	18,597
Oct	261.1	+2.3	263.0	259.0	502	11,442
Dec	265.8	+2.4	267.0	264.5	128	1,735
Mar	269.6	-0.1	272.1	269.0	504	1,999
May	273.4	-0.3	274.9	274.9	5	518
Aug	277.4	-0.3	280.5	279.0	12	112
Total					4,228	34,417

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	9.05	+0.09	9.22	8.88	21,114	87,737
Oct	9.25	+0.08	9.38	9.22	4,816	51,063
Mar	9.66	+0.07	9.82	9.65	3,367	25,077
May	9.69	+0.06	9.80	9.69	241	3,580
Jul	9.72	+0.06	9.80	9.75	53	3,516
Oct	9.72	+0.06	9.80	9.80	250	3,383
Total					29,870	175,303

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	65.09	-0.57	65.60	64.90	4,784	31,667
Oct	67.90	-0.53	68.50	67.80	150	3,816
Dec	69.41	-0.33	69.73	69.20	3,019	32,525
Mar	70.82	-0.31	71.15	70.75	278	7,204
May	71.55	-0.25	71.70	71.55	10	3,003
Jul	72.30	-0.25			-	2,124
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	108.90	-0.35	110.00	108.00	713	852
Jul	113.75	-0.50	114.00	112.60	3,465	20,436
Sep	116.55	-0.40	116.80	115.95	342	5,425
Nov	118.60	-0.50	118.50	117.90	30	3,857
Jan	119.75	-0.50	120.00	118.75	168	1,725
Mar	122.00	-0.50	122.75	122.00	2	817
Total					[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 7	May 6	month ago	year ago
1629.4	1633.2	1655.8	1986.3

■ CRB Futures (Base: 1967 = 100)

May 6	May 5	month ago	year ago
225.86	226.46		

■ GSCI Spot (Base: 1970 = 100)

May 6	May 5	month ago	year ago
164.29	165.04	163.67	194.76

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,375	to	518,000
Aluminium alloy	+500	to	59,460
Copper	+4,325	to	299,200
Lead	+100	to	106,600
Nickel	+24	to	64,314
Zinc	+2,200	to	433,525
Tin	-5	to	6,140

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	67.925	-0.625	68.425	67.700	7,584	41,988
Aug	68.950	-0.350	69.375	68.750	2,146	24,029
Oct	68.875	-0.450	69.250	68.575	1,804	14,077
Dec	69.775	-0.325	70.050	69.600	330	4,973
Feb	70.725	-0.350	71.050	70.650	28	1,518
Apr	71.750	-0.325	71.975	71.750	16	514
Total					11,707	87,099

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	60.850	-0.200	60.875	60.275	2,947	13,973
Jul	60.850	+0.050	60.900	60.350	1,032	7,165
Aug	58.425	+0.125	58.500	57.850	572	4,578
Oct	53.700	-0.275	53.900	53.400	151	3,610
Dec	54.100	-0.225	54.300	54.050	179	3,376
Feb	56.275	-0.300	56.650	56.050	172	665
Total					5,066	33,726

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	60.325	+1.300	60.350	58.100	204	1,311
Jul	57.925	+0.825	58.000	56.100	1,138	4,396
Aug	55.350	+0.550	56.600	53.800	163	1,138
Sep	49.800	+1.100	51.400	49.800	3	28
Nov	45.400	+0.100	45.700	45.300	14	236
Total					1,517	7,109

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1350	na	-	-	-
1400	na	-	-	-
1450	na	-	-	-
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
1700	na	-	-	-
1800	na	-	-	-
1900	na	-	-	-
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1850	85	105	90	180
1900	48	97	123	222
1950	36	90	161	265
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1100	52	80	18	25
1125	40	65	31	38
1150	30	54	46	52
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1450	-	-	24	30
1500	5	-	-	-
1550	-	35	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.16-3.22x	+0.015
Brent Blend (dated)	$14.05-4.08	-0.04
Brent Blend (Jun)	$14.70-4.73	-0.01
W.T.I.	$16.53-5.55x	+0.13

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$165-167	
Gas Oil	$135-138	+0.5
Heavy Fuel Oil	$67-69	-3
Naphtha	$146-148	+3.5
Jet fuel	$158-164	+3
Diesel	$147-143	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	9.10-9.20	-0.05

■ OTHER

Gold (per troy oz)♣	$298.55	-1.80
Silver (per troy oz)♣	588.00c	-19.25
Platinum (per troy oz.)	$394.00	-4.00
Palladium (per troy oz.)	$264.00	-32.00
Copper	87.0c	-2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	22.28r	-0.92
Tin (New York)	278.5	
Cattle (live weight)	95.50p	+1.41*
Sheep (live weight)	116.53p	+10.69*
Pigs (live weight)	85.95p	-0.31*
Lon. day sugar (raw)	$228.10	+12.50
Lon. day sugar (wte)	$254.00	+11.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq	
Rubber (May)♣	46.75p	
Rubber (Jun)♣	47.75p	
Rubber (KL RSS No1)	297.00m	-2.50
Coconut Oil (Phil)§	$735.0y	+35.0
Palm Oil (Malay.)§	$690.0	+10.0
Copra (Phil)§	$410.0y	
Soyabeans (US)	174.0	-5.0
Cotton Outlook 'A' index	63.00	-0.20
Wooltops (64s Super)	396p	+12

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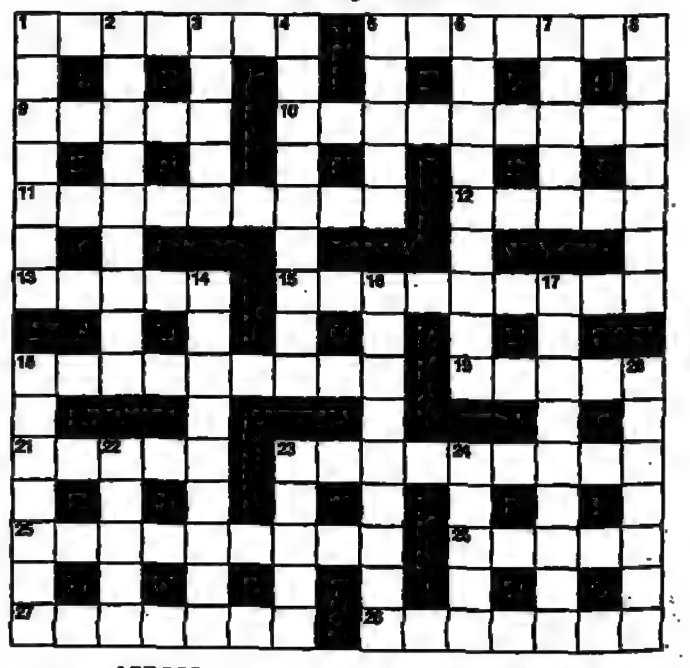
JOTTER PAD

CROSSWORD

No.9,676 Set by ARMONIE



ACROSS
1 Arthur is trapped in a period that's austere (7)
5 Mail carrier to reserve appointment in the first place (7)
9 Combine foreign currency in foreign city (5)
10 A bee's occupation? (9)
11 Men lose it after processing mineral (9)
12 Wild and somewhat naive, they suffer a lot (5)
13 It penetrates bronze colossus (5)
15 Novel, made a sure-fire winner after hoax (9)
18 The county's team pulls out the stops? (9)
19 Chapter in story recalled striking effect (5)
21 Landlord losing initial resistance to record (5)
23 Study more compact radio part (9)
25 Runner captures a fast time for sweetheart (9)
26 A piece of music that's pleasant to the ear (5)
27 Toper is reformed for Sally (7)
28 Assembled to restrict legal right of striking (7)

DOWN
1 Try consuming every vegetable (7)
2 Mother's about to change one's school (4,5)
3 State finding good man holding weapon up (5)
4 American taking virgin to the ball (3,6)
5 Fairy finding one unknown item in tart (5)
6 Plant at present getting adverse criticism in Kent (9)
7 Cook getting a bad break (5)
8 It's misreported the fish lost blood (7)
14 Torn signs repaired without conditions (2,7)
16 Work miracles as before? Think a second! (2,7)
17 This country invokes unusual penalties (9)
18 One breaking sharp knife (7)
20 Distress people in the wrong (7)
22 Turn left in the end to get a flower (5)
23 Lecture about skin (5)
24 Stand for treacherous person being beheaded (5)

Solution 9,675

PREFECTURES COT
Y N L R E H O W
RILKE ADDRESSEE
A I M I U L H N
MESSIANIC TWEET
I T E E R D Y
DREAMER DART
S D U E A A
FRET PADDLES
A S D A R I &
TRITE TREACHERY
T M R T S R N R
EXPLOSIVE OKAPI
S L U M N W T A
TIE SIGHTUNSEEN

هيئة امن الاهل

firmer on
duction
hopes

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

هكذا من الاصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هدية من الاهل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. x Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Please note that FT Company Focus/Focus Plus reports ceased to be available as from May 4th 1998. However ShareFinder company reports, incorporating current and historic financial information, key performance data and consensus recommendations, may still be purchased by calling 0870 601 4600.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

Global uncertainties put UK stocks under fire

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

News that the Bank of England's monetary policy committee had decided to leave domestic interest rates on hold made absolutely no impact on a London stock market still suffering from trends overseas.

The market leaders moved decisively lower, having begun the day on the brink of the 6,000 level for the FTSE 100. The second-liners, represented by the FTSE 250, finally ran out of steam, having hit record closing and intra-day highs all week.

It was left to the FTSE SmallCap index to provide investors with what little comfort was available. The index pushed on again to fresh peaks in the wake of yet more takeover action.

No less than 11 bids, approaches or mergers involving SmallCap constituents have been announced this week, with Spargo Consultants the latest to attract the attentions of a potential buyer.

The SmallCap index moved confidently ahead for the seventh straight session, hitting a record closing and intra-day high of 2,685.9, up 9.8. Over those seven sessions the index has risen 57.4 or 2.2 per cent.

Problems for the front-line stocks stemmed from another bout of weakness on Wall Street overnight, where the Dow Jones Industrial Average dropped 92 points, despite confirmation of the Chrysler/Daimler-Benz merger discussions.

The Dow's weakness reflected the continuing uncertainty about US interest rates. The Federal Reserve's open market committee meets on May 19 to decide whether to raise rates. Today's non-farm payroll report is one of the key indicators used by the FOMC. And there was no respite for the US market at the opening yesterday when the Dow fell again.

Additional pressure was exerted on European markets, London included, by the widespread falls across Asian markets, unsettled by worries about economic problems and alarming reports of riots and looting in Indonesia.

At the close of a thoroughly depressed session, the FTSE 100 was down 54.4 at 5,938.0. At its worst, 20 minutes before the close, the index was 93 points weaker.

The FTSE 250, which had risen 141.4 or 2.5 per cent over the previous six sessions, finally ran into flurries of profit-taking, pushing the index down 2.7 to 5,702.7. The index spent much of the session below the 5,700 level, falling to a low of 5,698.3 before stabilising just before the close.

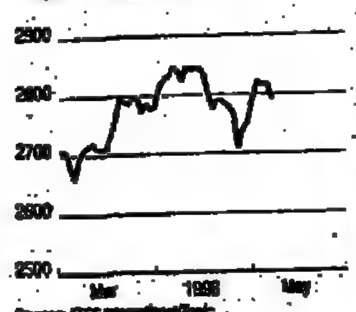
Apart from the international concerns, most of the economic and corporate news in London was on the positive side. The Confederation of British Industry's April survey of distributive trades showed high street sales up modestly.

Sterling, meanwhile, slipped back, with the Bank of England's exchange rate index finishing down 1.0 at 103.4, encouraging the big engineering and exporting groups, which figured prominently among the best performers.

Royal Bank of Scotland outstripped the rest of the leaders, a lone firm spot in an otherwise still depressed banking arena, after well-received interims.

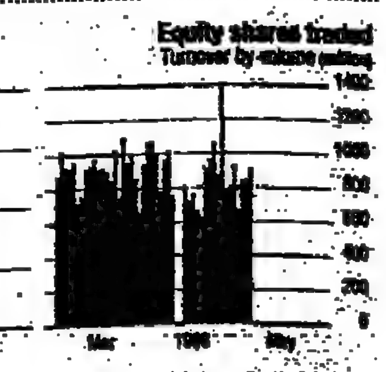
Turnover in equities reached 875m shares.

FTSE All-Share index



Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5938.0	-54.4	FT 30	3885.4	-17.3
FTSE 250	5702.7	-2.7	FTSE Non-Fins p/e	23.05	23.22
FTSE 350	2871.7	-21.6	FTSE 100 Fut Jun	5933.0	-52.0
FTSE All-Share	2803.13	-19.11	10 yr Gilt yield	5.94	5.87
FTSE All-Share yield	2.80	2.78	Long gilt/equity yld ratio	2.13	2.12

Best performing sectors

1 Electronic & Elect Equip +1.1
2 Chemicals +0.9
3 Engineering +0.8
4 Retailers: Food +0.8
5 Gen Industrials +0.6

Worst performing sectors

1 Life Assurance -3.2
2 Telecommunications -2.6
3 Pharmaceuticals -1.7
4 Water -1.6
5 Banks: Retail -1.1

Results boost at RBoS

COMPANIES REPORT

By Peter John and Martin Brice

Royal Bank of Scotland was the market's top blue-chip performer after the bank released stronger-than-expected first-half results and prompted positive broker comment.

Most analysts expected the current-year consensus profit forecast of £872m to be edged higher after the interim figures, and said the shares deserved a strong rally especially after their recent underperformance.

RBoS reported an interim profit of £448m, up from £369m, with the dividend raised to 7.13p from 6.20p previously. The pre-tax number included a £57m contribution from the sale of the Banco Santander stake.

Among brokers who lifted their numbers was Dresdner Kleinwort Benson, which also reinforced its "add" stance.

Kleinwort boosted its current-year underlying figure by 7 per cent to £902m and next year's forecast by the same degree to £1,027m. It also advised clients to switch holdings out of Standard Chartered, which lost 62 at 867p – the biggest fall in the Footsie – while RBoS jumped 54½ to 988p.

Analyst Neil Baker said the bank had been at a 15 per cent discount to the sector at the start of trading despite reflecting 25 per cent underlying growth.

However, Schroders rates RBoS an "underperformer" and prefers mortgage banks Halifax, Alliance & Leicester and Woolwich, which the broker feels offer better value at current levels.

Shell Transport bucked the overall trend, producing a set of first-quarter figures that surprised even hardened pessimists.

The bulls were delighted as the company came in with a 23 per cent drop in net income, still at the top of the range of forecasts. NatWest reinforced its end-year forecast of $9.8bn and HSBC was upgrading its numbers 3-4 per cent.

SG Securities, which has long been disappointed by the company's failure to deliver, moved its recommendation from "hold" to "outperform".

One analyst summed up the figures as "manna from heaven for those who believe in the Shell restructuring story". It ended the day 5 higher at 454p.

The potential muddying by Philips of the potential bid waters for EMI saw the latter's shares slide 15 to 575p.

Crédit Lyonnais Securities was pointing out to clients yesterday that the possibility of Philips selling its 75 per cent stake in PolyGram "means there are two music majors potentially on the block". It would have the effect, says the broker, of "reducing the likelihood of a contested bid or, perhaps, any bid for EMI".

The broker adds that once the takeover premium is stripped out the shares are worth only 468p and says the potential downside is now greater than the upside.

However, the bulls argue that there are too many potentials in Philips latest move and a takeover remains viable.

Henderson analyst Louise Barton said the comments reinforced her confidence that the company would be the principal beneficiary of the next TV franchise review and was progressing with internet technology.

United News & Media sparked up 38 to 840p after a lunch hosted by Henderson Crosthwaite which brought Lord Hollick, chief executive, face to face with 20 institutional investors.

Capital Radio was 2 firmer at 668p on consideration of of its acquisition of Cardiff Broadcasting for £18.25m from Emap, which closed 11½ up at £12.06.

Mirror Group added 3 at 188½p. The newspaper company said trading was ahead of last year's on a like-for-like basis.

A telecoms sector rampant only weeks ago, amid talk of imminent takeover moves involving all the main UK groups, was suddenly under pressure yesterday. BT was affected, according to dealers, by so-called "rogue trades", and eventually finished the day a net 26 off at 667p, after trade of 26m.

Orange attractive

Meanwhile, Orange attracted persistent small sales, closing 20 down at 422p and Cable & Wireless settled 27 off at 641p.

The weakness of the pound helped shares in companies exposed to sterling strength. Rolls-Royce achieved one of the better performances in the Footsie, helped by the announcement that it had won an order representing more than $275m in AE3007 engine orders for its Allison Engine Company. Others benefiting included GEC, up 5½ at 526½p.

Vickers eased to 235½p ahead of the announcement that it had agreed to sell Rolls-Royce to Volkswagen, which had topped the bid from BMW with a £430m offer. The announcement was made after the market had closed.

AB Ports was down 6 at 369p after it said it was in talks with American Port Services, which gained 14 to 179p. The 190p-a-share offer would represent a 15 per cent premium to Wednesday's closing price of 165p.

First Leisure gained 28 to 378½p after a bullish trading statement. It said first-half sales were 40 per cent ahead of the same period last year.

Zetters gained 12 to 158½p after the football pools and bingo clubs group said it was in talks which could lead to a takeover bid for the company. It had been considering a number of options, including the sale of the business.

Sector specialists said that if there had been an approach from within the industry, it was likely to have come from Ladbroke, which owns Vernons, or Littlewoods. Ladbroke was off 9¼ at 317p.

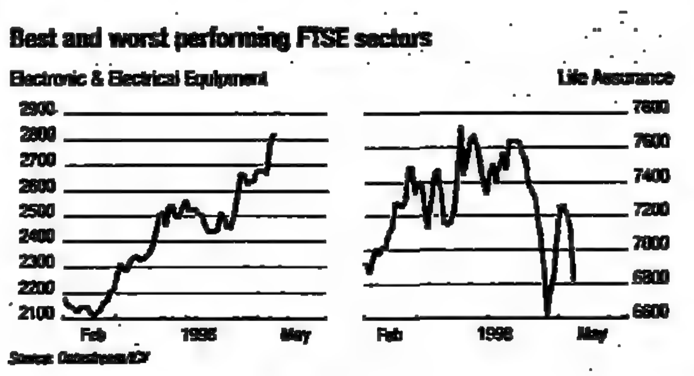
The biggest fall in the market was suffered by engineer Clyde Blowers, which lost 64 to 189p after it announced underlying profits down from £678,000 to £545,000 and said sterling strength was affecting the company's growth.

Trio Holdings, the money broker, rose a penny to 4¾p after it said it had returned to the black at the interim stage following three years of losses. It also talked of the need for consolidation in the financial services industry.

Aim-traded Future Integrated Telephony fell 14¼ to 67½p, after a profits warning, linked to accounting problems, and news that takeover talks were unlikely to result in an offer.

J. Sainsbury shares continued their impressive post-results performance and rose 20¼ to 522½p as broker notes acted as a spur to the shares.

Best and worst performing FTSE sectors



FT 30 INDEX

	May 7	May 6	May 5	May 1	Apr 30	Yr ago	*High	*Low
FT 30	3865.4	3882.7	3874.9	3872.8	3823.2	2947.0	3882.7	3836.7
Ord. div. yield	2.83	2.82	2.82	2.83	2.86	3.73	4.22	2.83
P/E ratio net	25.06	25.18	25.15	25.08	24.78	17.77	25.08	15.80
P/E ratio nil	24.84	24.96	24.93	24.85	24.56	17.59	24.85	15.71

FT 30 since compilation: high 3882.7 06/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3882.7	3842.0	3852.4	3855.8	3852.4	3856.7	3856.8	3850.8	3851.4	3882.7	3836.7

STOCK MARKET TRADING DATA

	May 7	May 6	May 5	May 1	Apr 30	Yr ago
SEAQ bargains	60,570	62,121	63,152	61,517	67,925	47,166
Equity turnover (£m)†	-	na	2509.3	3710.1	3144.0	2306.6
Equity bargains†	-	na	45,267	53,661	49,970	47,608
Shares traded (m)†	-	na	719.3	913.2	756.7	600.8
Total market bargains‡	-	na	54,031	65,730	70,036	na
Total turnover (£m)‡	-	na	3317.9	4763.7	4771.4	na
Total shrs traded (m)‡	*875.0	na	907.2	1114.1	1060.9	na
Tradepoint turnover (£m)	31.3	27.7	86.5	31.6	33.4	1.2
Tradepoint shrs traded	7,906	7,875	15,218	8,016	7,280	226

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	777	Total Highs	172	Total contracts	26,173
Total Falls	761	Total Lows	36	Calls	14,992
Same	1,456			Puts	11,181

May 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5968.0	5933.0	-52.0	5985.0	5930.0	18839	154500
Sep	6058.5	6007.5	-52.5	6058.5	6058.5	500	10231
Dec	6119.0	6091.0	-54.0	6128.0	6119.0	150	125

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	-	5730.0	-2.0	-	-	0	8381

FTSE 100 INDEX OPTION (LIFFE) (*5803) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
-	F.P.	133.8	85	72½	Lonrho Africa	85		12.3	4.2	3.4	8.7
100	F.P.	39.0	97½	97½	Murray VCT 3	97½		-	-	-	-
-	F.P.	45.3	250	153	Oliver's	229½	-7½	12.5	6.2	1.4	14.7
-	F.P.	112.4	319½	276½	Oxford Glyco	305	-1½	-	-	-	-
*	F.P.	18.0	92½	90	Quester VCT 2	90		12.4	-	3.3	-
-	F.P.	-	36½	34½	Transport Dev 8	36		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 6	% chg on day	May 5	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1252.50	-0.9	1263.84	1594.57	1.92	-	1616.93	891.23
Regional Indices								
Africa (14)	1334.42	-1.1	1349.40	1706.66	4.06	29.49	1864.25	921.79
Australasia (8)	1481.87	-1.6	1505.81	1766.89	2.12	21.75	1823.74	933.03
North America (11)	1207.50	-0.7	1215.64	1430.49	1.01	45.15	1574.16	864.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. PLEASE NOTE: Amendments to indices 1/5/98 to 6/5/98 applied to Australasia and The Gold Mines Index. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 7	Day's chge%	May 6	May 5	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5938.0	-0.9	5992.4	5986.5	4580.4	2.78	2.34	2.05	21.93	61.80	2591.08
FTSE 250	5702.7	—	5705.4	5662.3	4510.4	2.87	2.41	2.08	21.01	52.48	2438.37
FTSE 250 ex IT	5758.4	—	5759.2	5734.6	4533.9	2.94	2.49	2.14	19.85	54.60	2471.55
FTSE 350	2871.7	-0.7	2893.3	2888.7	2226.2	2.79	2.36	2.06	21.75	29.22	2580.22
FTSE 350 ex IT	2878.2	-0.8	2898.1	2893.4	-	2.81	2.37	2.07	21.51	29.53	1315.25
FTSE 350 Higher Yield	2854.2	-0.4	2865.3	2852.8	2155.3	3.72	3.17	1.96	17.19	35.78	2172.27
FTSE 350 Lower Yield	2908.5	-1.0	2938.5	2940.2	2303.5	2.08	1.73	2.20	27.34	23.82	2109.23
FTSE SmallCap	2685.88	+0.4	2676.06	2665.32	2301.60	2.85	2.30	1.59	27.69	21.64	2329.74
FTSE SmallCap ex IT	2686.06	+0.5	2672.26	2660.92	2302.62	3.04	2.46	1.65	24.98	22.55	2352.41
FTSE All-Share	2803.13	-0.7	2822.24	2817.36	2188.16	2.80	2.35	2.03	22.04	28.13	2536.10
FTSE All-Share ex IT	2809.84	-0.7	2829.34	2824.43	-	2.82	2.37	2.05	21.67	28.55	1307.91

FTSE Actuaries Industry Sectors

	May 7	Day's chge%	May 6	May 5	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4922.75	+0.1	4915.43	4903.58	4198.92	3.09	2.67	1.72	23.54	61.18	2258.65
12 Extractive Industries(6)	3393.50	-0.4	3405.82	3393.55	4234.30	4.14	3.79	2.03	14.89	76.82	1071.05
15 Oil, Integrated(4)	5503.30	+0.2	5491.38	5473.00	4334.35	3.06	2.62	1.64	24.85	62.01	2585.65
16 Oil Exploration & Prod(12)	3208.17	+0.2	3201.67	3234.53	3456.19	1.78	1.47	1.98	35.48	31.12	1992.62
20 GEN INDUSTRIALS(220)	2391.99	+0.6	2377.66	2337.92	1950.93	3.11	2.72	2.19	18.39	25.96	1402.71
21 Construction(36)	1649.62	+0.2	1646.63	1647.33	1399.16	2.95	2.40	2.62	16.17	17.87	1470.04
22 Building Matls & Merchs(27)	1957.53	—	1956.93	1949.26	1889.35	3.81	3.25	2.03	16.18	29.45	1065.82
23 Chemicals(24)	3048.12	+0.9	3022.02	2995.82	2295.51	3.08	2.87	1.83	22.22	30.75	1554.91
24 Diversified Industrials(10)	1495.68	+0.5	1487.50	1484.24	1407.77	3.62	3.41	2.40	14.38	20.85	919.13
25 Electronic & Elect Equip(26)	2819.30	+1.1	2787.52	2670.52	2120.25	3.08	2.48	1.62	25.20	20.55	1553.06
26 Engineering(62)	3272.40	+0.8	3245.08	3161.47	2519.55	2.89	2.58	2.33	18.56	38.49	2109.23
27 Engineering, Vehicles(10)	4489.37	—	4487.40	4500.40	2742.38	1.98	1.82	3.31	19.01	27.83	2486.13
28 Paper, Pckg & Printing(23)	2401.75	-0.2	2406.44	2364.82	2332.05	4.24	3.58	2.23	13.21	29.40	1081.20
30 CONSUMER GOODS(92)	5731.77	-1.1	5795.76	5828.68	4373.30	2.55	2.28	1.84	26.66	68.68	2265.95
32 Alcoholic Beverages(6)	4117.27	-0.9	4156.13	4118.67	2998.38	2.83	2.80	1.87	23.55	55.46	1608.56
33 Food Producers(25)	4093.07	-0.7	4122.83	4150.89	2910.77	2.65	2.26	1.98	23.68	45.13	1982.48
34 Household Goods & Textls(24)	3565.32	-0.2	3571.73	3592.22	3021.98	3.08	2.75	2.19	18.51	40.14	1499.97
36 Health Care(14)	2311.48	-0.7	2327.13	2308.04	2209.72	2.20	1.99	2.39	23.75	14.69	1471.97
37 Pharmaceuticals(20)	9449.15	-1.7	9609.31	9719.80	7032.34	1.85	1.72	1.70	37.78	95.15	3379.73
38 Tobacco(3)	4851.78	+0.5	4826.06	4809.84	4424.69	5.29	4.68	1.75	13.48	121.61	1355.51
40 SERVICES(277)	3438.55	-0.7	3462.92	3447.38	2691.68	2.47	2.01	1.98	25.58	19.43	1884.54
41 Distributors(28)	2950.85	+0.4	2938.41	2939.80	2748.90	3.24	2.67	1.98	19.40	33.42	1158.16
42 Leisure & Hotels(26)	3999.40	-0.4	4015.33	4002.69	3467.55	2.51	2.01	2.39	20.89	51.40	2265.00
43 Media(41)	4451.07	-0.4	4467.18	4462.27	4398.70	2.31	1.94	2.17	24.97	45.46	1694.70
44 Retailers, Food(13)	3059.64	+0.8	3035.40	2991.25	2095.15	2.91	2.39	2.17	19.78	20.47	2072.79
45 Retailers, General(46)	2381.97	-0.9	2403.96	2411.14	2115.74	3.08	2.47	2.15	18.98	11.95	1441.66
46 Telecommunications(10)	3841.82	-2.6	3942.71	3874.98	2313.57	2.29	1.85	1.51	38.19	4.04	1887.98
47 Breweries, Pubs & Rest.(24)	4268.48	+0.3	4251.69	4332.32	3328.95	2.80	2.24	2.35	18.98	16.19	2165.17
48 Support Services(62)	4882.33	-0.1	4886.78	4858.08	2935.27	1.22	1.03	2.56	39.97	16.61	3210.65
49 Transport(25)	3634.93	+0.1	3621.88	3623.92	2804.57	2.83	2.31	1.31	33.69	25.93	1610.60
60 UTILITIES(23)	3817.68	-0.9	3850.71	3864.55	2772.61	4.10	3.28	1.88	16.25	14.30	1804.15
62 Electricity(9)	4362.89	-0.5	4385.44	4404.45	3036.74	4.33	3.48	2.18	13.26	7.28	2517.15
64 Gas Distribution(2)	2878.49	-0.8	2902.11	2894.97	1579.62	2.36	1.81	‡	‡	26.03	1683.68
68 Water(12)	3234.55	-1.6	3288.27	3310.93	2558.01	5.28	4.22	2.20	10.76	10.26	1984.58
69 NON-FINANCIALS(634)	2824.58	-0.5	2838.57	2823.58	2202.85	2.80	2.38	1.94	23.05	24.82	2293.69
70 FINANCIALS(108)	5547.82	-1.3	5618.99	5632.86	4310.47	2.88	2.37	2.35	18.42	79.03	2565.38
71 Banks, Retail(12)	8035.24	-1.1	8127.58	8134.84	6474.23	2.94	2.35	2.32	18.30	124.11	2815.74
73 Insurance(17)	2596.67	-0.8	2617.48	2631.74	1830.46	3.30	2.98	2.91	13.04	38.48	2138.18
74 Life Assurance(8)	6895.00	-3.2	7121.77	7207.62	5028.91	2.72	2.35	2.60	17.64	108.92	3080.86
77 Other Financial(26)	5049.08	-0.2	5057.91	5037.79	3217.74	2.18	1.78	2.24	25.64	56.10	3075.90
79 Property(45)	2358.19	-0.7	2374.76	2377.21	1981.62	2.75	2.28	1.46	31.08	11.28	1540.13
80 INVESTMENT TRUSTS(116)	3953.74	-0.3	3970.03	3964.45	3342.83	2.00	1.61	1.18	52.70	22.93	1438.07
89 FTSE All-Share(858)	2803.13	-0.7	2822.24	2817.36	2188.16	2.80	2.35	2.03	22.04	28.13	2536.10
105 FTSE All-Share ex IT(743)	2809.84	-0.7	2829.34	2824.43	-	2.82	2.37	2.05	21.67	28.55	1307.91
Information Technology	1499.52	+0.9	1486.09	1476.45	-	0.58	0.48	3.32	65.39	2.81	1502.66
FTSE Fledgling	1438.39	+0.3	1434.69	1430.90	1288.53	3.03	2.45	1.40	29.47	11.31	1588.98
FTSE Fledgling ex IT	1460.86	+0.4	1455.45	1450.91	1317.15	3.34	2.71	1.46	26.51	12.56	1619.72
FTSE AIM	1091.3	+0.2	1089.1	1090.2	-	1.11	0.88	0.47	80.00†	3.49	1007.92

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5926.6	5931.0	5942.4	5931.5	5938.3	5936.1	5920.0	5905.0	5990.5	5899.4
FTSE 250	-	5702.2	5702.6	5699.5	5699.9	5700.5	5701.7	5698.4	5702.8	5704.0	5697.0
FTSE 350	-	2867.2	2869.0	2873.1	2868.9	2871.7	2870.8	2864.3	2858.9	2892.4	2856.7
FTSE SmallCap	2676.92	2676.50	2677.38	2678.72	2680.65	2682.02	2682.31	2683.05	2685.00	2685.88	2676.42
FTSE All-Share	-	2798.41	2800.09	2803.97	2800.25	2802.83	2802.16	2796.13	2791.31	2821.45	2789.34

Time of FTSE 100 Day's high: 8:33:00 Day's low: 16:12:30. FTSE 100 1998 High: 6105.8 (06/04/98) Low: 5096.7 (12/01/98)

Time of FTSE All-Share Day's high: 8:33:00 Day's low: 16:12:00. FTSE All-Share 1998 High: 2847.10 (06/04/98) Low: 2389.32 (13/01/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	519	597	+2
AMVESCAP	916	638	+8
ASDA Group	6,800	194	+1½
Abbey National	3,700	1105	+10
Alliance & Leicester	4,800	857	-10
Allied Domecq	3,200	627	+6½
Assoc. Brit. Foods	633	654	+1
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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 7 / Sch)

BELGIUM/LUXEMBOURG (May 7 / Frs.)

CZECH REP (May 7 / Koruna)

DENMARK (May 7 / Kr)

FINLAND (May 7 / Mka)

FRANCE (May 7 / Frs.)

GERMANY (May 7 / Dm.)

GREECE (May 7 / Drachma)

ITALY (May 7 / Lire)

NETHERLANDS (May 7 / Fls.)

NORWAY (May 7 / Kroner)

POLAND (May 7 / Zloty)

PORTUGAL (May 7 / Escudo)

SPAIN (May 7 / Pts.)

SWEDEN (May 7 / Kronor)

SWITZERLAND (May 7 / Frs.)

TURKEY (May 7 / Tk Lira)

PACIFIC

JAPAN (May 7 / Yen)

AUSTRALIA (May 7 / Aust$)

HONG KONG (May 7 / H.K.$)

INDONESIA (May 7 / Rupiah)

MALAYSIA (May 7 / MYR)

NEW ZEALAND (May 7 / NZ $)

SINGAPORE (May 7 / S$)

SOUTH KOREA (May 7 / Won)

TAIWAN (May 7 / TW $)

THAILAND (May 7 / Baht)

AMERICAS

CANADA

TORONTO (May 7 / Can $)

4 pm close

MONTREAL (May 7 / Can $)

4 pm close

MEXICO (May 7 / Peso)

12:30 pm

AFRICA

SOUTH AFRICA (May 7 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	WEDNESDAY MAY 6 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 5 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	207.22	-0.9	184.82	173.87	190.12	215.86	-0.5	3.60	209.10	186.84	174.13	182.72	216.94	243.87	190.26	228.70
Austria (23)	237.32	0.5	211.67	199.13	217.74	217.60	0.0	1.51	236.16	211.02	198.66	217.66	217.52	237.32	181.80	183.48
Belgium (28)	333.63	-0.3	297.57	279.94	306.10	299.69	-0.8	2.42	334.50	298.89	278.55	308.29	301.57	335.66	234.33	244.94
Brazil (26)	246.12	-3.3	219.52	206.51	225.82	518.64	-3.3	1.90	254.47	227.38	211.91	234.53	536.13	322.44	184.94	250.39
Canada (120)	244.72	-0.5	218.27	205.34	224.53	254.93	-0.6	1.57	246.05	219.88	204.89	226.77	256.51	248.78	198.83	197.55
Denmark (34)	508.53	2.0	454.46	427.53	467.49	466.61	1.8	1.29	499.51	446.33	415.98	460.37	459.31	521.61	368.50	368.81
Finland (28)	448.80	0.7	400.29	376.57	411.77	505.23	0.3	1.78	445.67	398.23	371.13	410.76	503.88	448.80	282.95	285.73
France (79)	317.11	0.7	282.84	266.08	290.95	294.43	0.2	2.00	315.05	281.51	262.35	290.38	293.73	317.11	213.42	218.63
Germany (58)	285.11	0.4	254.29	239.22	261.59	261.59	-0.1	1.26	284.06	253.82	236.55	261.81	261.81	290.93	204.89	207.71
Greece (37)	293.30	-1.8	261.60	248.10	269.11	644.87	-2.0	1.43	298.79	266.99	248.82	275.88	657.77	298.79	290.70	-
Hong Kong, China (66)	305.69	-0.7	272.62	256.46	280.43	304.08	-0.7	5.23	307.71	274.96	256.24	283.60	308.13	580.03	262.83	484.82
Indonesia (27)	40.22	-15.2	35.87	33.74	38.90	223.28	-5.3	3.16	47.45	42.40	39.52	43.74	235.80	254.90	27.67	229.19
Ireland (16)	557.04	0.2	496.83	467.39	511.06	551.15	-0.2	1.76	555.95	496.77	462.96	512.39	552.42	580.44	336.66	338.90
Italy (54)	165.98	0.3	148.04	139.27	152.28	215.79	-0.1	1.23	165.45	147.84	137.78	152.49	216.10	177.15	86.93	89.34
Japan (480)	94.28	-2.2	84.09	79.11	86.50	79.11	-1.4	1.00	96.37	86.11	80.25	88.82	80.25	141.12	88.52	123.64
Malaysia (107)	165.05	-9.1	147.21	138.48	151.43	247.29	-4.0	2.79	181.49	162.17	151.14	167.27	257.58	545.67	113.56	536.78
Mexico (29)	1642.05	-2.4	1464.56	1377.78	1506.57	15217.24	-2.4	1.52	1682.31	1503.23	1400.93	1550.51	15599.42	1901.98	1351.65	1367.61
Netherlands (19)	511.86	-0.4	456.54	429.49	469.63	464.65	-0.8	1.99	513.94	459.23	427.98	473.67	468.45	521.95	359.41	360.30
New Zealand (14)	70.47	-1.8	62.85	59.13	64.65	68.42	-1.0	4.77	71.74	64.10	59.74	66.12	69.11	98.47	70.47	86.56
Norway (38)	357.71	0.9	319.05	300.14	328.20	358.05	0.5	1.76	354.86	316.81	295.34	326.87	354.33	374.64	281.62	297.82
Philippines (22)	95.08	-3.1	84.81	79.78	87.24	187.40	-2.4	1.11	98.13	87.69	81.72	90.44	192.07	173.10	57.54	168.74
Portugal (18)	294.49	-0.3	262.66	247.10	270.19	364.27	-0.7	1.04	295.44	263.99	246.02	272.29	366.99	299.39	290.70	-
Singapore (43)	198.63	-4.1	177.16	166.67	182.24	147.74	-2.2	2.02	207.07	185.02	172.43	190.84	151.08	401.75	144.01	380.93
South Africa (43)	330.06	-0.1	294.39	276.94	302.83	364.78	-0.1	2.44	330.23	295.08	275.00	304.36	365.05	365.52	227.60	365.52
Spain (31)	382.90	-0.1	341.51	321.28	351.31	434.97	-0.5	1.76	383.28	342.48	319.18	353.25	436.94	386.88	234.92	234.92
Sweden (48)	610.42	1.9	544.45	512.18	580.06	684.42	1.2	1.71	598.90	535.15	498.73	551.98	675.96	610.82	431.19	431.19
Switzerland (30)	409.84	0.8	365.54	343.88	376.02	374.87	0.2	1.08	406.68	363.39	338.65	374.82	374.03	409.84	275.41	275.41
Thailand (39)	24.61	-5.5	21.95	20.65	22.58	37.35	-3.9	8.36	26.04	23.27	21.68	24.00	38.85	73.49	13.10	73.49
United Kingdom (208)	391.71	0.3	349.37	328.67	359.39	349.37	0.1	2.82	390.58	349.01	325.26	359.98	349.01	401.84	293.10	293.10
USA (635)	451.91	-0.9	403.07	379.18	414.62	451.91	-0.9	1.42	458.07	407.52	379.79	420.33	458.07	462.18	330.33	335.04
Americas (810)	409.54	-0.9	365.28	343.63	375.75	345.69	-0.9	1.43	413.40	369.39	344.25	381.01	349.26	418.95	302.07	306.21
Europe (748)	360.97	0.4	321.96	302.88	331.19	397.40	0.0	1.99	359.55	321.28	299.42	331.38	397.30	383.50	253.66	253.66
Nordic (149)	535.75	1.6	477.84	449.53	491.55	529.94	1.1	1.86	527.20	471.08	439.02	485.89	524.39	535.75	374.70	374.70
Pacific Basin (970)	103.49	-2.1	92.31	86.84	94.96	87.61	-1.4	1.69	105.76	94.50	88.07	97.48	88.81	158.99	95.32	142.28
Euro-Pacific (1618)	210.82	-0.3	188.03	176.89	193.43	181.73	-0.4	1.91	211.55	189.03	176.17	194.97	182.41	218.04	172.03	188.73
North America (755)	438.75	-0.9	391.33	368.14	402.55	438.70	-0.9	1.43	442.71	395.59	368.67	408.03	442.68	448.61	322.13	328.58
Europe Ex. UK (540)	334.06	0.5	297.96	280.30	306.50	321.35	0.0	1.57	332.57	297.16	276.94	308.51	321.37	334.61	226.96	226.96
Pacific Ex. Japan (390)	187.83	-2.1	167.52	157.60	172.33	190.56	-1.1	4.09	191.62	171.40	159.74	176.79	192.77	318.98	161.31	301.13
World Ex. US (1836)	214.83	-0.4	191.61	180.26	197.11	189.32	-0.4	1.89	215.71	192.74	179.63	198.81	190.14	220.18	175.30	192.19
World Ex. UK (2263)	281.74	-0.8	251.29	236.40	258.50	256.72	-0.8	1.51	283.95	253.72	236.46	261.70	258.72	287.02	230.63	232.39
World Ex. Japan (1991)	388.81	-0.5	346.79	326.24	356.73	380.67	-0.6	1.73	390.74	349.15	325.36	360.13	382.94	394.39	283.76	295.96
The World Index (2471)	291.03	-0.7	258.58	244.20	267.02	285.06	-0.7	1.85	292.97	261.79	243.97	270.02	266.87	296.57	236.04	237.58

Emerging markets: IFC Investable indices

4 pm close May 7

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div.	Yld. %	P/E	Vol. 100s	High	Low	Close Quote	Chng. Prev. Close
[illegible]										

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

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- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

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- T -

[illegible]

- U -

[illegible]

- V -

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- W -

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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	May 6	May 5	May 4	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9054.65	9147.57	9192.66	9192.66 (4/5)	7580.42 (9/1)	9192.66 (4/5/98)	41.22 (8/7/32)
Home Bonds	104.91	104.51	104.72	105.46 (15/1)	104.51 (5/5)	105.46 (15/1/98)	54.99 (1/10/81)
Transport	3380.75	3443.04	3501.19	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	282.64	284.70	284.13	291.18 (2/4)	262.88 (9/1)	291.18 (2/4/98)	10.53 (8/7/32)

DJ Ind. Day's high 9223.80 (9251.96) Low 9017.28 (9082.37) (Theoretical)
Day's high 9180.20 (9198.14) Low 9040.82 (9104.47) (Actual)

Standard and Poors	May 6	May 5	May 4	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1104.92	1115.50	1122.07	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials¶	1291.52	1301.90	1308.36	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial¶	132.24	134.42	135.83	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	574.57	578.75	582.73	585.82 (22/4)	487.47 (9/1)	585.82 (22/4/98)	4.64 (25/4/42)
Amex Comp	743.33	745.28	748.60	763.67 (22/4)	646.41 (12/1)	763.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1858.68	1864.91	1878.85	1917.61 (22/4)	1503.22 (9/1)	1917.61 (22/4/98)	54.87 (3/10/74)
Russell 2000	479.37	481.74	485.48	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	May 1	Apr 24	Apr 17	Year ago
Dow Jones Ind. Div. Yield	1.54	1.55	1.53	1.73

	May 6	Apr 29	Apr 22	Year ago
S & P Ind. Div. yield	1.38	1.35	1.28	1.72
S & P Ind. P/E ratio	30.68	30.29	31.13	23.33

US DATA

■ MARKET ACTIVITY

● Volume (million)

	May 6	May 5	May 4
NYSE	808.540	583.030	551.700
Amex	28.323	24.745	25.606
NASDAQ	782.111	775.979	777.725

NYSE	May 6	May 5	May 4
Issues Traded	3,507	3,456	3,467
Rises	1,159	1,166	1,583
Falls	1,803	1,817	1,424
Unchanged	551	571	460
New Highs	80	91	159
New Lows	24	25	21

■ NYSE TRADING ACTIVITY

Volume : 808,540,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	30,055,808	31⅛	+⅛
Chrysler	18,030,100	48⅜	+7⅝
BayWatch	8,568,800	24⅝	+⅜
Cendant	6,304,100	24⅝	-⅛
Sealed Air	5,283,200	54⅛	-8⅜
MellnBk	5,232,800	73⅛	+3⅝
PhilMorr	4,197,100	39⅛	-⅛
AdvMic	4,181,900	25⅛	-⅛
Ford	3,988,500	45⅝	-⅝
Kmart	3,921,400	18⅝	+⅛

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Chrysler	48⅜	+7⅝	+17.9
PolyGram	48⅝	+5⅛	+12.7
Lilly Ind	20⅝	+2⅛	+11.0
Sparton Cp	10⅛	+⅞	+8.8
Downs			
Fila	20⅝	-3⅛	-13.2
Sealed Air	54⅛	-8⅜	-13.2
Vencor	11⅝	-1⅛	-8.8
Alaska Air	47⅜	-3⅜	-7.6

■ NASDAQ TRADING ACTIVITY

Volume : 782,111,000

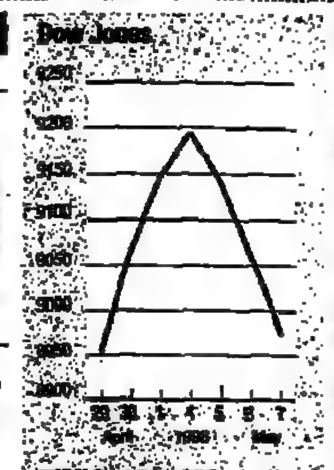
■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
CiscoSys	18,088,100	76	+2⅝
Micsft	11,888,380	88⅝	-1⅝
DellComp	8,817,200	87⅛	-⅛
WrldCm	8,579,400	42⅜	-⅝
Intel	8,238,100	81⅝	-⅛
AppleC	8,008,900	30⅛	+⅛
Oracle	7,148,200	26⅛	+⅛
AscendCom	7,021,200	43⅛	+1⅝
Netscp	6,580,400	28⅛	-1⅛
CmptrLm	5,261,900	13⅛	-1⅛

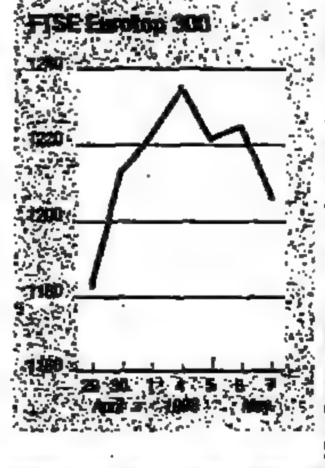
■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
CTTYC	18⅛	+3⅛	+21.2
OAD	12⅞	+1⅛	+12.6
PMT Srv	20	+1⅞	+10.7
Avondale	28⅝	+2⅝	+9.5
Downs			
Unitog	21	-3⅛	-14.0
Jones Int	19	-1⅝	-8.4
TecnoCp	14⅝	-1⅛	-8.2
CmptrLm	13⅛	-1⅛	-8.1

Dow Jones



FTSE Eurotop 300



JAPAN

	May 7	May 6	May 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15143.03	15243.84	closed	17264.34	14664.44	38915.9	85.25

Day's high: 15244.10. Day's low: 15020.06.

■ TOKYO TRADING ACTIVITY — Volume : 382,000,000

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Nissan Mtr	14,449,000	385	-22
Np Steel Cp	10,377,000	215	+4
LTCB	7,821,000	188	-14
Sakura Bk	6,544,000	411	-3
Nikkei Hvy	5,308,000	483	-8
Optec Dalichi	4,873,000	86	+7
Toshiba Cp	4,831,000	590	-23
Sumo Mtl Ind	4,446,000	215	+4
Taisei Cp	3,801,000	276	-10
Mitsui T & B	3,278,000	284	+3

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Optec Dalichi	86	+7	+11.0
Toa Cp	210	+20	+10.5
Sansei Elct	70	+6	+9.4
Mikkiso	610	+50	+8.9
Downs			
Nissei Bld	390	-40	-9.5
Suzuken	1801	-189	-9.5
Tokatsu Kgy	250	-23	-8.4
Np Soken	270	-25	-8.4

FRANCE

	May 7	May 6	May 5	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3908.36	3947.45	3944.91	3988.75	2882.54	3988.75	884.61

Day's high: 3943.30. Day's low: 3890.17.

■ PARIS TRADING ACTIVITY — Volume : 447,220,740

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Usinor	2,946,383	97.55	+1.4
AXA-UAP	1,382,920	705	-31
B.N.P.	1,277,274	523	-2
Rhn-Poulc A	1,240,083	310	
Fr Telecom	1,205,588	311.9	-9.1
Renault	1,023,691	298.7	-6.8
Alcatel Al	934,108	1179	+10
Soc Generale	720,708	1381	+84
Michelin B	647,543	362.5	-10.5
Paribas A	605,140	642	-3

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Alpha Mos	152.1	+25.6	+20.2
Wanlee SA	140	+19	+15.7
CFE (Cie Eq)	131.2	+12.2	+10.3
Euralec	891	+81	+10
Downs			
Volcanic	293.4	-31.6	-9.7
Sph (Fl Hv)	280	-28.5	-9.2
Elem Delpont	485	-42	-8
Cambodge	2470	-190	-7.1

GERMANY

	May 7	May 6	May 5	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5185.23	5229.80	5232.03	5442.80	4087.28	5442	931.18

Day's high: 5230.28. Day's low: 5172.95.

■ FRANKFURT TRADING ACTIVITY — Volume : 14,285,790

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Dt Telekom	1,517,494	49.75	-2.1
Daimler-Benz	1,380,588	205.1	+12.2
Deutsche Bk	1,042,111	151	+3.05
Libanon Rg	925,323	42	-0.35
Bayer	889,482	74.9	-0.8
Siemens	809,611	108.75	-2.1
Hoechst	579,348	69.2	-0.7
Commerzbank	488,140	67.3	-1.3
RWE	425,315	87.5	-3
BASF	421,971	76.5	-1.8

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Preussag St	650	+50	+8.3
Dt Babcock	102.5	+7.2	+7.6
Daimler-Benz	205.1	+12.2	+6.3
Leica Camera	31.66	+1.66	+5.5
Downs			
Apcoa Park	134	-12	-8.2
Bremer Vlk	1.32	-0.11	-7.7
Elfelbon Ko	80	-5	-5.9
Hmbch Bnd	77	-4.5	-5.5

UK

	May 7	May 6	May 5	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5938.0	5992.4	5986.5	6105.80	5068.60	6105.8	986.9

Day's high: 5992.7. Day's low: 5898.4.

■ LONDON TRADING ACTIVITY — Volume : 813,680,090

■ ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
MFI Frntre	19,938,340	89½	+½
Shell T&T	19,515,140	454	+5
Signet Grp	17,810,510	46½	+2½
Brit.Steel	16,180,530	167	-2½
Brit.Biotech	14,345,040	71	-1
Dans Pat	13,521,320	21½	
GEC	11,704,670	526½	+5½
Rexspar	10,811,300	9½	
BT	10,229,790	667	-25
Nrwch Union	10,043,250	430½	-8½

■ BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Joyce Grp	241	+53½	+28.5
Saltire	27½	+4	+17.0
Euro.Colour	71	+10	+16.4
Kalamazoo	54½	+7	+14.7
Downs			
Clyde Blow	180	-64	-25.3
Allyrose	31½	-3½	-10
Coutts Cons	22½	-2½	-10
Colliers	20½	-1½	-7.9

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1108.30	1108.70	+1.900	1111.00	1104.70	119,308	332,442
Sep	–	1118.90	–	–	–	903	12,656

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15110.0	15150.0	-20.0	15420.0	14970.0	30,929	197,532
Sep	15120.0	15050.0	-130.0	15120.0	15050.0	30	12,820

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	3893.0	3891.0	-39.0	3894.0	3888.0	321	37,243
Jun	3870.0	3871.5	-39.0	3870.0	3870.0	477	19,701

■ DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	5240.0	5174.0	-76.0	5269.0	5163.0	25,283	126,197
Sep	5270.5	5218.5	-75.0	5300.0	5215.5	133	17,423

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	761.00	762.25	-2.25	764.00	755.00	33,643	144,274
Jun	760.00	765.50	-1.50	767.00	758.75	21,822	23,615

■ SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	7610.0	7525.0	-88.0	7613.0	7490.0	6,306	22,473
Jun	7550.0	7506.9	-86.3	7550.0	7522.7	1,183	1,706

WORLD MARKETS AT A GLANCE

Country	Index	May 7	May 6	May 5	1998 High	1998 Low	Yield	P/E
Argentina	General	23087.85	23231.42	23297.90	23485.47 23/3	18237.40 2/1	2.8	20.0
Australia	All Ordinaries	2780.8	2788.0	2803.5	2881.40 15/4	2542.40 12/1	3.3	20.2
	All Mining	671.6	678.8	689.3	713.10 23/4	582.20 13/1		
Austria	Credit Aktien	(a)	(a)	581.52	661.82 5/5	437.44 13/1	1.8	15.6
Hungary	Bux	8611.36	8582.29	8608.56	9818.36 23/4	7289.79 12/1	na	na
India	BSE Sens.	(a)	4059.70	4147.28	4280.98 21/4	3209.86 28/1		
	Crisil 500	(a)	770.28	786.76	816.02 21/4	604.35 29/1	na	na
Indonesia	Jakarta Comp.	436.78	414.83	435.16	554.16 2/2	342.97 9/1	2.5	13.5
Poland	WIG	17756.3	17882.5	18035.1	18582.78 11/3	13228.80 12/1	1.2	14.3
Portugal	BVL 30	5617.54	5601.43	5847.87	6178.88 22/4	3878.27 2/1	1.5	43.1
	PSI 20	12930.99	13374.32	13405.98	14292.99 22/4	9051.84 2/1		
Russia	RTS	304.74	310.61	315.21	411.81 5/1	265.88 29/1	na	na

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THE NASDAQ STOCK MARKET

4 pm close May 7

[illegible]

THE NASDAQ STOCK MARKET

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AMEX PRICES

4 pm close May 7

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EASDAQ

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STOCK MARKETS

Asia and rate fears dampen motor mania

WORLD OVERVIEW

Agreement on terms for the merger of carmakers Daimler-Benz and Chrysler failed to provoke the usual takeover-driven surge in world stock markets yesterday, *writes Philip Coggan.*

While motor stocks enjoyed the news, sentiment in most markets was fairly negative, with concern about the Asian economic crisis jostling with worries about the possibility of interest rate rises in the US and Europe.

Asian stock markets were generally mixed, with Jakarta rebounding after its recent slide. The region's currencies continued to come under pressure.

So far, Asian economies have seen a collapse in domestic demand but have been unable to take advantage of the weakness of their currencies to increase exports.

Europe's markets were weighed down by Asian worries and by Wednesday's fall on Wall Street, where the Dow Jones Industrial Average dropped 92 points. The US market opened weakly again yesterday, with the Dow slipping below 9,000 at one point.

The strength of European currencies against the US dollar did nothing to help equities. The D-Mark has rebounded against the US currency this week on speculation that Germany will raise interest rates in the run-up to the creation of the euro.

Two of the European bull market's strongest pillars – falling rates and weaker currencies – might yet be undermined.

Rates could conceivably rise in the US as well. Today's non-farm payroll report in the US will be pored over for its implications for monetary policy, especially given the recent speculation about a shift to a tightening bias at the Federal Reserve. The Fed's open market committee next meets on May 19.

"The implication from the report will be that fuel for spending is growing even more abundant," said Bob Craven of the Craven Fixed Income Report. "Policy makers will come increasingly to fear the reality of excess demand."

The European research team at BT Alex Brown has launched its pan-European 15 of favoured stocks: UBS, Generali, British Land, Royal Dutch, Peugeot, Diageo, Novartis, Granada, BSkyB, British Aerospace, Nokia, ABB, Linde, Akzo-Nobel and VIAG.

However the team adds: "We remain concerned, particularly in the light of the fudge over the the presidency of the European Central Bank, that bond-sensitive markets, sectors and stocks may come under pressure in coming months."

Chrysler soars as Dow stays in reverse

AMERICAS

US shares continued to retreat in early trading, sending the Dow Jones Industrial Average down close to the 9,000 level, *writes John Labate in New York.*

Higher motor stocks were in sharp contrast to trends in the broader market. Chrysler shares climbed 8 per cent or 3\frac{13}{16}$ to $52¾, while ADR shares of Daimler-Benz gained almost 3 per cent to $111¾ in the wake of their merger announcement.

Other car makers were also carried higher. Ford Motor rose $1⅛ to $46⅞.

But the broader market moved steadily lower, unsettled by fears over the week's most important economic report, April employment, which is due out today. Each of the market's four main indices fell in broad, if unspectacular, selling.

By early afternoon the Dow Jones Industrial Average was down 37.12 to 9,017.53, while the Standard & Poor's 500 was off 4.34 at 1,100.58. The Nasdaq composite lost 9.29 or 0.5 per cent to 1,847.39. Small stocks weakened as well, sending the Russell 2000 index down 1.52 to 477.85.

In contrast, Treasuries moved higher ahead of the employment report. Also giving government issues a lift was the recent announcement of a cutback in bond supply. The benchmark long bond gained $\frac{9}{32}$ to 102$\frac{11}{32}$, yielding 5.955 per cent.

Among Dow stocks, AT&T fell $1⅛ to 58\frac{5}{16}$, while Eastman Kodak lost $⅞ to 72\frac{5}{16}$. But Hewlett-Packard rose 1\frac{13}{16}$ to 76\frac{5}{16}$ after the computer group announced a new alliance with a Canadian company.

In the software sector Microsoft fell $2¼ to $84¼ on renewed uncertainties surrounding a justice department investigation.

Internet stocks were mostly higher. America OnLine rallied one day after its earnings release. AOL climbed 6.5 per cent to $5⅝ to $91¼ after Lehman Brothers upgraded its earnings forecast.

TORONTO stayed dull as weak bullion pushed gold stocks lower and interest rate worries continued to depress banks. The 300 composite index was off 35.76 at 7,642.93 at noon.

Royal Bank of Canada shed 55 cents to C$83.40 as persistent interest rate worries continued to gnaw at sentiment. Canadian Imperial lost 50 cents to C$49.40 and Bank of Montreal 80 cents at C$76.00.

Golds fell as the bullion price dipped below $300 at the London fix. Barrick Gold retreated 70 cents to C$30.90.

Northern Telecom gave up C$1.50 at C$88.50 while Philip Services tumbled C$1.95 to C$8.85 following a slide into the red for the first quarter.

São Paulo slips further

SAO PAULO stayed weak, adding to the previous session's 3.4 per cent shake-out with further losses.

Traders said the government defeat in the lower house on its pension reform bill did little to help sentiment on a day when Wall Street and the dollar continued to move lower.

Among blue chips, Eletrobrás fell 1.7 per cent to R$46.70 and Petrobrás 1.7 per cent to R$268.50. At midsession, the Bovespa index was off 52 at 11,113.

MEXICO CITY lost further ground as talk of a rise for US interest rates continued to sap sentiment.

The IPC index was 5.71 lower at 4,933.64 at midsession, although trading volume was described by brokers as light.

Johannesburg falls again

SOUTH AFRICA

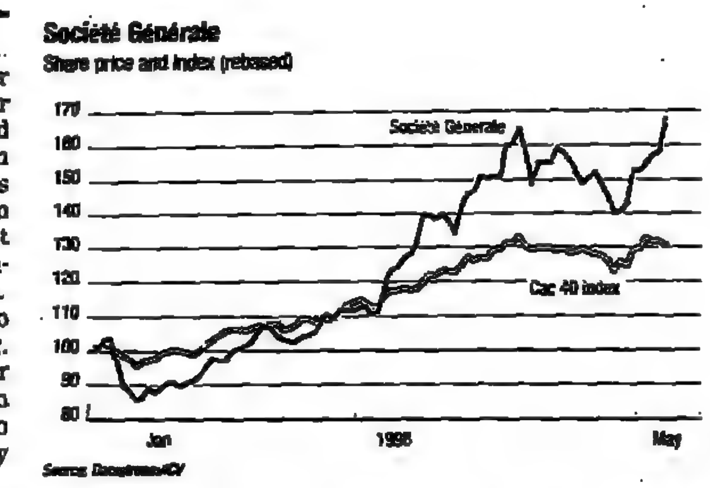
Shares in Johannesburg fell for the third day running with sentiment hit by weak bullion. At the close, the all-share index was 66.1 lower at 8,054.1. Golds did most of the damage. Randgold fell 40 cents or 6.8 per cent to R5.50 as the bullion price fell back through the $300 level. The golds index ended off 2.6 or 2.5 per cent at 993.8.

Financials came off 1.2 per cent at 13,525.2 but industrials managed to edge higher, adding 9.2 at 9,764.3.

SocGen softens Paris falls

EUROPE

Another strong day for Peugeot and a surge for Société Générale helped cushion a downturn in **PARIS**, where investors spent most of the session tracking the dollar and debt markets. The CAC 40 finished 41.09 lower at 3,906.36.



Renault fell FFr6.80 to FFr299.70 on profit-taking, but Peugeot did its best for motor industry consolidation hopes, adding FFr20 to FFr1,132 for a two-day advance of 6.2 per cent.

Motor components leader Valeo shed FFr34 to FFr563 on worries about the possible loss of valuable supply contracts with Chrysler now that the US group has agreed to merge with Germany's Daimler-Benz.

Axa-UAP and LVMH were also among the heavy losers. The former fell FFr31.00 to FFr705 and LVMH FFr52.00 to FFr1,190.

SocGen surged FFr84 or 6.5 per cent to FFr1,381 following an upbeat annual meeting statement from chairman Daniel Bouton and subsequent broker upgrades for the shares.

Alcatel Alsthom added FFr10 at FFr1,179 after Salomon Smith Barney raised its 12-month target price to FFr1,500.

FRANKFURT continued to send Daimler-Benz motoring ahead, but the broad market was lower at the end of electronic trade, pulled down by weakness in Wall Street and Tokyo. The Xetra Dax index lost 99.73 to 5,164.89.

Daimler put on another DM6.60 to DM200 after hitting an all-time high of DM217 as it confirmed its merger plan with Chrysler. VW was another winner, edging DM7 higher to DM1,448, but BMW tumbled DM94 to DM1,966. News that Vickers had agreed to sell Rolls-Royce Motor Cars to VW instead of BMW came after the market closed.

Deutsche Bank edged 50 pfg higher to DM149.70 in response to strong first-quarter results. The bank also said that it would support the Daimler-Chrysler merger plan and would be the biggest shareholder in the new group, with a stake of about 12 per cent.

In the opposite direction, construction group Philipp Holzmann lost almost 6 per cent after announcing plans for a capital increase which included issuing a convertible bond to inject funds into its loss-making business. Holzmann, DM30 lower at DM491, said it planned a DM700m provision to shore up its property projects.

Retailer Metro put on DM1 to DM93.50 as Deutsche Morgan Grenfell raised its recommendation and set a price target of DM125.

DMG noted the strength of the company's cash and carry business and said that a restructuring had proved more dynamic than expected.

SAP gave up DM32.90 to DM907 after winning shareholder approval for management changes, a possible capital increase and share buy-backs.

ZURICH turned lower as resurfacing concerns about Asia, a softer dollar and Wall Street's weak start took a toll. The SMI index lost 74.2 to end at 7,536.6.

Nestlé, 14 per cent higher on the week after the group unveiled first-quarter sales figures, gave up SFr44 to SFr3,006.

Bank Julius Baer said it remained positive on Nestlé but the shares were overvalued. The bank added that while its results were good, they were in line with expectations when adjusted for calendar quirks. At the same time, CS First Boston trimmed its earnings estimates but maintained its buy recommendation on the stock.

The pharmaceuticals sector came in for profit-taking. Novartis lost SFr26 to SFr2,479 and Roche certificates fell SFr215 to SFr15,505.

Financials gave up early advances to close lower. UBS fell SFr12 to SFr2,570 and its merger partner, SBC, was SFr7 weaker at SFr551.

A SFr37 tumble in ABB to SFr2,538 was attributed to renewed worries about the company's Asian exposure.

Against the trend, watchmaker SMH extended its string of gains, rising SFr23 to SFr1,069 on the back of speculation about a possible share buy-back.

AMSTERDAM continued to slide in the face of dollar weakness and another bad day for bonds. There was widespread talk of a imminent rise for Dutch interest rates and financials were ominously weak.

The AEX index ended off 20.35 at 1,143.34. ABN Amro and Fortis Amev both fell more than 4 per cent, sliding Fl 2.40 to Fl 47.90 and Fl 5.20 to Fl 118.10 respectively.

Unilever came off Fl 5.20 at Fl 146.50 while PolyGram, up more than 12 per cent on Wednesday, lost 60 cents to Fl 97.40 on profit-taking.

Royal Dutch surged to Fl 117.40 following greater earnings resilience than expected for the first quarter, but even here the broad run on sentiment proved too much and the shares ended off 50 cents at Fl 113.30.

In second-liners, Boskalis jumped Fl 1.10 to Fl 34.30 after the dredging group predicted profit gains of at least 10 per cent this year.

MADRID ended 2 per cent lower in thin trading, with the general index down 18.54 to 852.04. Weakness in overseas markets, including the early setback on Wall Street, depressed sentiment. Investors sold blue chips, with Endesa, the electricity group due to be fully privatised this month, down Pta115 or 3.1 per cent to Pta3,595. Telefónica dropped Pta90 or 1.4 per cent to Pta6,220.

MILAN fell almost 1 per cent on the Mibtel index, which ended 219 lower at 23,517 in thin volumes.

Enthusiasm over car stocks, triggered by the merger of Daimler-Benz with Chrysler, buoyed Fiat, which rose L285 or 2.9 per cent to L7,965. But elsewhere blue chip industrials lost ground, with Telecom Italia falling L180 or 2.2 per cent to L13,290 and Eni losing L172 to L11,718.

COPENHAGEN ended a volatile day marginally higher as the the crown recovered some ground against the dollar. The KFX index closed up 1.06 or 0.5 per cent at 235.81 amid thin trading ahead of today's national holiday.

Overseas investors sold as nervousness ahead of the referendum on the EU's Amsterdam treaty later this month hit sentiment. The leading loser was medical care group Coloplast which fell Dkr39 to DKr625.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Peter Hall

Rupiah's drop lifts Jakarta

ASIA PACIFIC

JAKARTA bounced more than 5 per cent on technical buying prompted by the rupiah's sharp decline against the dollar.

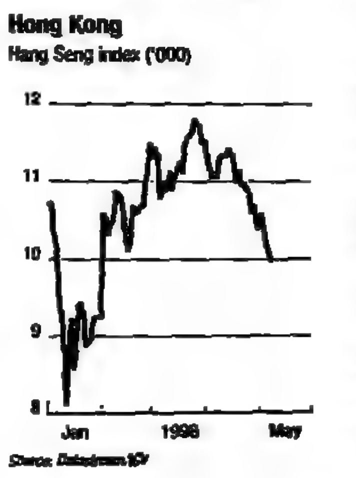
The composite index gained 22.15 to 436.78 but sentiment remained weak on growing concerns over whether the government would be able to control the riots and looting in northern Indonesia.

The rupiah was down more than 10 per cent at one stage, but the currency rebounded after the central bank raised interest rates.

Blue chips with overseas listings were bought by foreign arbitrageurs as the rupiah declined. Telkom rose Rp600 or 21 per cent to Rp3,425 while Indosat, the telecom services group, gained Rp1,800 to Rp12,950.

TOKYO fell again on discouraging corporate news and the weakening yen, but there was support just above the key 15,000 level, *writes Bethan Hutton in Tokyo.*

The Nikkei 225 Average fell to 15,020.05 in early afternoon before bouncing back to close at 15,143.03, down 100.81 or 0.7 per cent. The high was 15,244.10. The broader-based Topix index slipped 10.79 to 1,189.87.



Domestic pension funds are expected to start buying strongly if the Nikkei falls below 15,000, and traders said there were large numbers of buy orders already in place below that level. Foreigners continued to sell.

Car makers were hit by news of the Daimler-Benz/Chrysler merger, which is seen as signalling tougher competition in overseas markets. Toyota Motor fell Y50 to Y3,380. Honda Y60 to Y4,710, and Nissan Motor Y22 to Y385, but Mitsubishi Motor firmed Y1 to Y338.

Nissan, under selling pressure since announcing two weeks ago that its profits were likely to have dropped by 80 per cent in the last business year, was the day's most heavily traded share.

Volume remained thin in the aftermath of the Golden Week public holidays at about 360m shares. The few positive sectors included mining, iron and steel, and rubber.

In Osaka, the OSE index dropped 186.36 to 16,026.65, with 7m shares changing hands.

HONG KONG fell 1.4 per cent to its lowest level since late January as investors were unnerved by weak regional markets and the lack of any news to inspire buying. The Hang Seng index finished 137.21 down at 9,971.93, up from a low of 9,842.46.

Reports, later denied, that an official of China's central bank had predicted increased pressure for a devaluation of the renminbi in the second half of 1998, due to the impact of the financial crisis on China's exports added to the gloom.

SINGAPORE pared early losses to close with the Straits Times index off 19.90 at 1,428.50 after touching a low of 1,399.61. Bank stocks fell after OCBC warned of possible further substantial provisions this year.

SEOUL swam against the tide, closing slightly higher as conglomerate restructuring plans shored up investment. The composite index closed 3.24 higher at 379.47, putting an end to three straight losing days.

LG Group, the country's fourth largest conglomerate, said it aimed to cut the combined debt-to-equity ratio of its affiliates by the end of 1999.

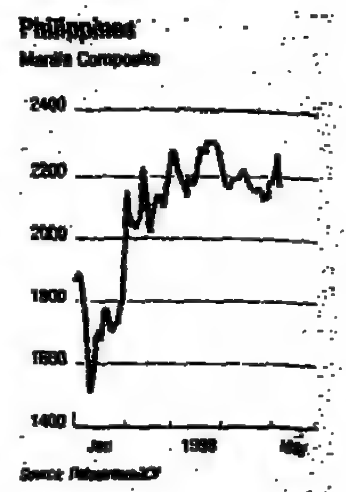
It expects to see a combined $1.1bn worth of foreign investment deals with its units by June.

Hyundai Group, the country's largest conglomerate, said it would raise $8.5bn of foreign capital by 2002 through selling subsidiaries, joint ventures, transferring businesses and overseas bond offerings. Hyundai Engineering & Construction gained Won210 to Won5,510.

EMERGING MARKET FOCUS

Manila rides a roller-coaster

The Manila stock market is reflecting the uncertainty surrounding Monday's presidential election in the Philippines with a degree of volatility remarkable even by its own standards.



A five-day pre-election rally that ended earlier this week included the biggest one-day gain in nine weeks. Then, on Wednesday, the index abruptly fell 2.5 per cent. By the close yesterday, the market had declined further to 2,189.97, paring gains this year to 16 per cent.

One key to the volatility is the low daily turnover of 500m-700m pesos, compared with levels last year of about 2.5bn. After heavy inflows in the first quarter, particularly from the US, foreign funds have held back, waiting to see whether the elections are conducted peacefully and then what will be the tone of the new administration.

In their absence, local brokers have been driving the market. When the index leapt 2.7 per cent on Tuesday, all but one of the foreign brokerages in Manila were net sellers.

The general view among investors that the elections will be honest and credible has lifted confidence, in spite of the prospects for Jose de Venecia, the administration bet and the strongest continuity candidate, appearing bleak.

He has long lagged in the polls behind Joseph "Erap" Estrada, the populist vice-president and bugbear of the financial community. His campaign slogan is "Erap for the poor!".

However, the investment community would rather chance an Estrada presidency than see comprehensive vote-rigging (a feature of elections since the Marcos era) used to install Mr de Venecia. That, they fear, would raise the spectre of widespread civil unrest.

Assuming the country satisfactorily clears the electoral hurdle, the market will have little to cheer about. Although the results season has, with a few exceptions, proved that the Philippines has suffered less from the Asian crisis than its neighbours – Philippines growth is forecast to slow to 2.4 per cent, compared with a contraction of 3 per cent for Thailand and Indonesia – analysts expect more negative fall-out throughout the year.

"Whatever happens in the elections, the Asian crisis is still there," says Ramon Garcia, president of Diversified Securities, a local broker.

"Some companies have not come to terms with it and we expect another four or five big bankruptcies and definitely a lot more among smaller companies. And then you have external factors like Indonesia and Japan to worry about."

At these levels, the market is trading on a forward multiple, based on 1998 earnings, of about 17 times. Analysts recommend blue chips such as PLDT, Benpres and Ayala Land but say there is little to get excited about at these valuations.

With three days left to polling day, there have already been at least 17 election-related deaths. It is not just the market that will breathe a sigh of relief if May 11 passes off peacefully.

Justin Marozzi

INVESTING IN CENTRAL AND EASTERN EUROPE

Five countries have crossed the threshold to start negotiations for entry into the EU, writes **Kevin Done**

Pace quickens on the long, hard road

For the first time since the beginning of the transition from a command to a market economy in eastern Europe the region, including the former Soviet Union, has returned to growth.

A period of sustained economic expansion beckons for the future, but it has been a long, hard road since the collapse of communism. After four years of recovery only Poland, Slovenia and the Czech Republic are expected to reach a level of gross domestic product this year higher than in 1989, having overcome the painful economic contraction of the early transition years.

The return to overall growth last year follows the end of recession in Russia, which registered its first year of positive growth in 1997.

In central and eastern Europe growth slowed slightly to 3.5 per cent, because of the severe setbacks suffered in Romania, Bulgaria and Albania, as well as the sharp slowdown in the Czech Republic. However, the pace is picking up again modestly this year, driven by Poland, Hungary, Croatia and the Baltic states, which all expect to achieve growth of around 5 per cent.

Progress across the region has become increasingly uneven, and while many countries have succeeded in stabilising their economies, achieving growth and much lower inflation, the second laborious and painstaking phase of transition, namely building the institutions and practices of a market economy, is proving much more demanding.

Nearly nine years after the collapse of the Berlin Wall a landmark has been reached in recent weeks, with the five most successful reform countries of central Europe and the Baltics, finally crossing the threshold to start formal negotiations for entry into the European Union. Three of these first-wave countries – Poland, Hungary and the Czech Republic – are already on course, too, to join Nato next year.

Central Europe's economic links with the EU are already close following the successful integration of the regions' trade in the past decade. More than 70 per cent of the imports of the Czech Republic, Poland and Hungary now come from the EU, while more than 60 per cent of their exports go to those EU states that are due to enter economic and monetary union with the launch of the euro currency in January 1999.

Most of the foreign exchange reserves of the central European countries will be held in euros. And the new currency should simplify inter-regional trade with more transparent pricing, tendering and customs procedures.

The eastward enlargement of the EU is the most ambitious expansion the European Union has yet undertaken, and the entry conditions now confronting the total of 10 applicant countries will dominate the reform agenda in central Europe and the Baltics for much of the coming decade.

They will also deeply influence the pattern of investment in the region with huge sums required to build the economic infrastructure of telecommunications, transport networks, energy, water and waste treatment required to serve the needs of a modern market economy. The infrastructure investment needs of the 10 EU candidate countries alone have been estimated at more than Ecu180bn ($196.2bn).

Many of the fundamental institutional reforms that are urgently needed to build modern market economies and to close the wealth gap on the west, must be carried out, however, regardless of whether the countries are candidates for the EU. The spill-over from the financial turmoil in eastern Asia in recent months has shown clearly that it is the fast reforming countries that are best able to cope with strains in the global financial system.

The lessons of the Asia crisis will be high on the agenda of bankers and financial officials gathering this weekend for the annual meeting of the European Bank for Reconstruction and Development in Kiev.

The volatility in Asia has intensified the focus of financial markets on those countries in eastern Europe that are most dependent on foreign capital flows to finance significant government budget or current account deficits.

By and large the region has survived fears that investors might withdraw capital from emerging markets in general. But countries such as Russia and Ukraine, that depend on foreign portfolio investors to finance structural budget deficits, remain most vulnerable to a possible withdrawal of foreign capital.

The EBRD warns in its latest transition report that the countries of eastern Europe and the former Soviet Union "will need to renew efforts to keep their external balances under control, particularly through prudent fiscal management, and learn the lessons on exchange rate and debt management that the Asian crises provide".

Financial sector reform is a vital ingredient. Countries such as Hungary and Poland where the drive for bank privatisation and the development of capital market reforms has been strongest – they are also leading the way in pension and social benefit reform – are already reaping the benefits.

By contrast, in countries, where financial sector reform has been neglected, banking systems are still burdened by bloated portfolios of non-performing debt.

Business expansion is being severely hampered by high interest rates and there is an absence of long-term finance in particular for the small and medium-sized enterprises most needed to fuel private sector growth. Where financial sector reform lags, promising investment opportunities are often stifled at birth, says the EBRD study.

Bank privatisation is incomplete in all countries of the region except in Hungary and Estonia. Poland is catching up with two large privatisations completed last year, however, and the start of the sell-off of the country's largest bank is due later this year along with some smaller privatisations.

The Czech Republic's belated move to sell off the large state stakes remaining in the country's leading banks has been held up by the prolonged political crisis triggered by the collapse of the country's centre-right government late last year. Most polls suggest ominously that next month's election will fail to provide a clear victor, and political wrangling will most probably cause a further postponement of bank privatisation.

Some reforms have been carried out despite the political upheaval, however, and the long-awaited establishment of a securities and exchange commission should go some way to answering investors' concerns about the lack of transparency and the poor liquidity of the Czech stock market.

In Russia the process of consolidating the banking sector is under way with many small, unprofessional banks having their licences withdrawn by the central bank. More than 300 licences were revoked last year, and a similar number is expected to be taken away this year. But the country is still far from having a solid, well capitalised banking system.

The EBRD estimates that if internationally accepted rules on loan loss provisions and write-offs were properly applied none of the countries of the former Soviet Union, with the exception of Russia itself, would have an entire banking sector even approaching the size of a medium-scale western bank.

Alongside financial sector reform, much remains to be done to improve governmental, legal and regulatory frameworks, which often act as a deterrent to an even higher flow of foreign direct investment into the region. Foreign direct investment into the entire region jumped to around $17.1bn last year from $13bn in 1996 led by high commitments in particular to Russia, Hungary and Poland.

The wide variety of privatisation methods used in eastern Europe and the Commonwealth of Independent States has resulted in poor corporate governance, and has often led to extensive insider control and a lack of transparency in ownership.

Insider ownership remains dominant in the majority of Russian companies and incumbent management "has typically remained hostile to outside shareholders and foreign investors", according to the EBRD.

As companies increasingly need fresh funds to finance modernisation and restructuring in the wake of privatisation, improvements in corporate governance must be made with a growing demand for high standards from capital markets including institutional investors. But it will be a long haul.

FOREIGN DIRECT INVESTMENT ($m)

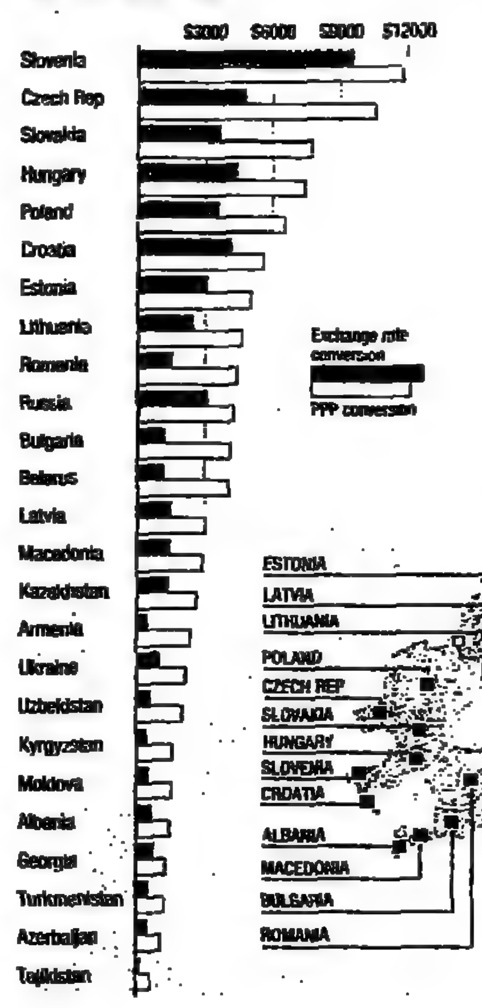
■ Central/eastern Europe and the Baltics

	1996	1997	1989-97	FDI inflows as % GDP (1997)
Albania	97	33	369	1.4
Bulgaria	100	575	1000	5.6
Croatia	509	500	1276	2.7
Czech Rep	1388	1275	7473	2.4
Estonia	111	131	809	2.8
Hungary	1986	2100	15403	4.7
Latvia	379	415	1287	7.6
Lithuania	152	327	612	3.6
Macedonia	12	16	65	0.5
Poland	2741	3044	8442	2.3
Romania	415	998	2389	2.9
Slovakia	177	150	912	0.8
Slovenia	186	321	1074	1.8
TOTAL	8252	9885	41111	2.8

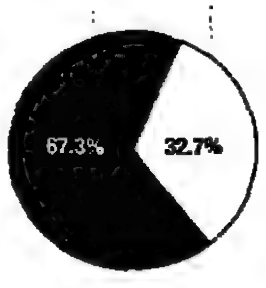
□ The Commonwealth of Independent States (CIS)

	1996	1997	1989-97	FDI inflows as % GDP (1997)
Armenia	22	26	70	1.6
Azerbaijan	661	1006	1993	24.4
Belarus	75	100	267	0.7
Georgia	25	65	104	1.3
Kazakhstan	1100	1200	4267	5.7
Kyrgyzstan	46	50	247	3.1
Moldova	56	71	249	3.4
Russia	2040	3900	9743	0.8
Tajikistan	20	20	86	1.8
Turkmenistan	129	108	652	4.7
Ukraine	526	700	2096	1.4
Uzbekistan	50	60	216	0.4
TOTAL	4750	7306	19990	1.2

GDP PER HEAD 1997

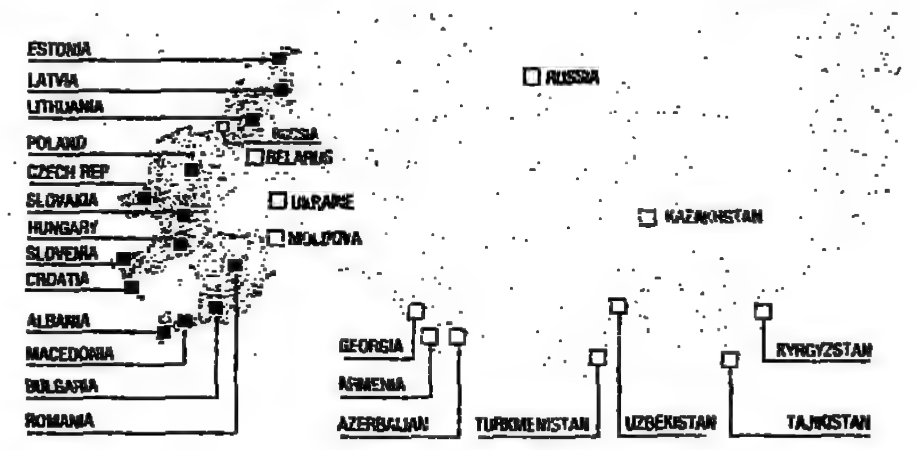


FDI INFLOWS (cumulative) 1989-1997



Central/eastern Europe and the Baltics	
Albania	0.6%
Bulgaria	1.6%
Croatia	2.1%
Czech Rep	12.2%
Estonia	1.3%
Hungary	25.2%
Latvia	2.1%
Lithuania	1.0%
Macedonia	0.1%
Poland	13.8%
Romania	3.9%
Slovakia	1.5%
Slovenia	1.8%

The Commonwealth of Independent States (CIS)	
Armenia	0.1%
Azerbaijan	3.3%
Belarus	0.4%
Georgia	0.2%
Kazakhstan	7.0%
Kyrgyzstan	0.4%
Moldova	0.4%
Russia	15.9%
Tajikistan	0.1%
Turkmenistan	1.1%
Ukraine	3.4%
Uzbekistan	0.4%



Sources: European Bank for Reconstruction and Development, The Economist Intelligence Unit

EUROPEAN UNION • by Lionel Barber

Five in talks to join the club

The Commission has pencilled in 2002-3 as the entry date for new EU members

The historic process of enlargement of the European Union eastwards into the former Soviet bloc countries is finally under way.

Negotiations on EU membership have begun with five central and eastern European candidates: the Czech Republic, Hungary, Poland, Estonia, and Slovenia. Five more countries are waiting in the wings: Latvia, Lithuania, Bulgaria, Romania, and Slovakia.

The European Commission has pencilled in 2002-3 as the entry date for the first wave of new EU members. That is almost 15 years after the fall of the Berlin Wall. For the laggards it could be 2010. Compared to the snail's pace of political integration, economic integration in terms of trade and investment is moving ahead much faster.

Yet the EU must put its own house in order before it can absorb new members. This means striking a deal on reforms relating to the Common Agricultural Policy, the budget and spending on poorer regions – the package known as Agenda 2000.

These reforms imply politically painful but relatively modest changes in the EU's annual Ecu90bn ($98.1bn) budget – a mere 1.25 per cent of EU GDP. Yet without changes in policy, the admission of poorer, farm-intensive countries in central Europe would bust the Union's budget.

The EU must also complete the unfinished business of the Treaty of Amsterdam. This means overhauling the Union's institutions and decision-making to achieve a better balance between smaller and bigger countries – a crucial issue because the candidate countries are relatively small countries, with the exception of Poland and Romania.

Nobody expects a breakthrough in the Agenda 2000 negotiations until after the German general election in late September. The Bonn government's campaign for lower budget contributions and the strength of the Bavarian farmers' lobby are symptomatic of the difficulties. So is the Spanish and British campaign to protect their own generous levels of regional aid from Brussels.

The Labour government in Britain must reconcile its desire to protect existing privileges while defending its core foreign policy goal of eastern enlargement. The dilemma is acute because the British claim they are being treated unfairly as the fourth poorest EU member. Such pauper talk flies in the face of the official message that Britain is an economic leader in Europe.

Until there is a comprehensive deal on Agenda 2000 – say in late 1999, 2000 or early 2001 – the real negotiations on the terms of accession for the eastern candidates cannot begin. Indeed, many complain that their preparations for membership are made more difficult because they do not know exactly what Union they are joining. "The goalposts are always moving," says one eastern European diplomat.

After the official launch of negotiations at the end of March, the next step is to scrutinise in minute detail how far each candidate meets the rules and obligations of membership, the so-called *acquis communautaire*.

The acquis has developed steadily since the 1957 Treaty of Rome and runs to around 80,000 pages. It covers issues ranging from banking laws, competition policy, state aid, veterinary inspection standards, to frontier controls – all of which are necessary to comply with the single market.

Perhaps the most taxing challenge for each of the 10 central and eastern European candidates is to make sure that the new legislation can be enforced. This will require a quantum leap in the efficiency of public administration – never one of the strong points of the previous communist regimes. The job is harder because the best and the brightest are often more attracted by the private sector.

Still, preparation is crucial. The European Commission has drawn up detailed road maps for each of the 10 central and eastern candidates. They are called accession partnerships. Each year, the Commission will report on progress.

This means that those countries that narrowly missed out on the list of front-runners in 1997 have a chance to catch up later. Already, Commission insiders are predicting that the two disappointed Baltic states of Latvia and Lithuania will put up a huge fight to be included in the front five at the end of this year.

Most insiders in Brussels consider that Hungary is perhaps the most advanced in membership preparation, followed by a (slightly wobbly) Czech Republic, Slovenia, and Estonia. Despite impressive growth rates and a substantial political commitment to early membership, the Poles are struggling with internal disputes and rivalry between the president and the government over the negotiating team.

Of course, Poland has powerful friends, particularly in neighbouring Germany. But the size of its population and its bloated agricultural sector make membership more complicated. "Small problems in Poland will always be bigger than small problems in other countries," says Hans van den Broek, the Dutch commissioner in charge of enlargement.


Hans van den Broek: Polish problems are always bigger

Among the weaker countries, the most troublesome candidate is Slovakia – the only country which failed to meet the political conditions for opening negotiations with the EU. Despite its reasonable economic performance, the country is hobbled by its treatment of the Magyar minority, the strong-arm tactics of Vladimir Meciar, the prime minister, and the activities of the internal security services.

The Slovak opposition hopes that if it can win a majority in the September general election, the political hurdle to opening membership negotiations would fall. But Commission officials are privately doubtful whether a new government has enough time to pass the necessary reforms and show that they are workable – assuming, of course, that Mr Meciar emerges as loser.

Bulgaria and Romania are the laggards in terms of economic performance. Brussels officials are particularly worried about the failure of the Romanian government to push through reforms. Bulgaria, which experienced a serious crisis in 1996, has made big efforts to adjust.

The Commission argues that there is a direct link between the candidates' performance in attracting foreign investment and their willingness to embrace economic reform. Countries such as Hungary have done far better than Romania. This process is likely to continue as the accession process accelerates and the remaining barriers to trade fall away.

RUSSIA AND CIS • by Anthony Robinson

Growth is a piebald horse

The future requires efficient and incorrupt local and central administrations

It is hard to think of any other economic system which invested so much and so badly for so long and with such awful end results as the Soviet one. Neither is it easy to think of any other system where the collapse of production to around 50 per cent of the previous level left millions of people better off.

This is not only because lower output from filthy heavy industries and military plants has cut air and water pollution, but also because wealth-destroying economic activity has been curtailed and billions of dollars once spent on imports of military-related production equipment or wastefully-used grain are now available to purchase high quality food and consumer goods.

A large, and statistically under-reported, expansion of services of all kinds has also helped to fill in the yawning gaps which once made Soviet life so rigid and dull and the economy so clunky and unresponsive.

This may not yet be the conventional wisdom, or the picture which emerges from the official statistics. Neither is it confirmed by the daily life experience or the still bleak conditions of life for millions of former Soviet citizens, especially those in one-horse Soviet company towns no-one in their right mind would ever have built or gone to voluntarily.

Much of the "capital" released by the liquidation of military and other stockpiles was funnelled abroad to safe havens by former party apparatchiks and senior military officers – fuelling a capital flight of epic proportions.

But the former Soviet economy producing "goods" at half the rate of the 1980s now lives alongside a vigorous, albeit often distorted and poorly recorded private service and industrial sector which is changing the lives of millions of people. It is probably big and dynamic enough for Russia and some other former Soviet countries to have re-started the growth mechanism.

Growth is still a piebald horse, however. It is palpable in places such as Moscow and some other big cities where dynamic mayors, governors or local businessmen have made the crucial human difference. It is tentative, hardly existent or enjoyed by a small minority in huge areas of this still vast country.

Beyond Russia's borders rising economic growth and prosperity in central Europe and the Baltic region, and the beginning of oil and gas-related developments in the Caspian region and some western parts of former Soviet central Asia are all starting to improve overall economic prospects in the former Soviet world.

The Baltic region, for example, includes the northern part of re-united Germany, Poland – the biggest and fastest growing of the central European states – and the Baltic states of Estonia, Latvia and Lithuania as well as the Nordic and Scandinavian countries. Few other regions in the world have such a steep cost-and-income gradient as that between east and west and between the northern and southern shores of the Baltic sea. The potential for trade and investment growth in the region is immense and, as a recent summit meeting of the council of Baltic Sea states in Riga, the Latvian capital emphasised, could help spur a development corridor running from St Petersburg through Novgorod to Moscow itself.

Meanwhile, the now independent states of central Asia and the Black Sea and Caspian regions are all slowly restructuring their former colonial-style economies and creating more rational economic arrangements. They are starting to replace the Soviet model which deliberately made all of the former Soviet states helplessly dependent on parts or supplies from factories or suppliers often thousands of kilometres away.

EBRD financing committed by country

	1997			Cumulative to 31 December 1997		
	Number*	Ecu (m)	%	Number*	Ecu (m)	%
Tajikistan	1	2	<1	2	9	<1
Bosnia-Hercegovina	4	30	1	6	49	<1
Albania	0	0	0	8	62	1
Georgia	4	34	1	7	68	1
Armenia	0	0	0	3	86	1
Azerbaijan	2	29	1	5	111	1
Kyrgyzstan	2	30	1	8	126	1
Turkmenistan	2	72	3	4	132	1
Lithuania	1	1	<1	10	135	1
Moldova	2	28	1	9	138	1
Macedonia	0	0	0	8	149	1
Belarus	1	8	<1	6	155	2
Estonia	9	40	2	22	175	2
Regional	6	53	2	16	179	2
Latvia	3	32	1	15	196	2
Kazakhstan	1	124	5	3	212	2
Bulgaria	5	52	2	18	268	3
Croatia	4	37	2	16	341	3
Slovenia	3	30	1	19	350	3
Slovakia	1	18	1	16	368	4
Uzbekistan	3	150	6	11	382	4
Czech Republic	4	57	2	23	447	4
Ukraine	6	229	10	19	508	5
Poland	13	210	9	59	986	10
Hungary	5	89	4	46	992	10
Romania	8	206	9	35	1,074	10
Russia	21	758	33	78	2,556	25
Total	108	2,315	100	469	10,257	100

Source: EBRD

* Operations may be counted as fractional numbers if multiple sub-loans are grouped under one framework agreement

Kazakhstan, for example, is now studying oil and gas pipelines which would transport energy across the country in a west-east direction and on to China. The twofold aim is to break its dependence on oil from Russia for the refineries and cities in the east of this energy and resource-rich country and diversify its trade by raising exports to China.

Ukraine, too, is slowly grappling with the enormous task of re-orientating its trade and industry towards central Europe and southward to the Black Sea and Caspian regions. These also also have the potential to match the Baltic among the fastest growing regions of the 21st century.

The reason is simple. Under the Soviet regime oil and gas development was concentrated in Siberia leaving vast areas of the Soviet Union either unexplored or undeveloped. Now the newly sovereign states from Ukraine to Turkmenistan are determined to take advantage of this former neglect and bring in foreign investors to develop and transport to market their national energy and other resources. In varying degrees all the former Soviet states, including Russia itself, are coming to terms with the fact that to attract and absorb the vast quantities of foreign capital needed they have to create the tax, legal, institutional and attitudinal conditions which global investors demand.

What this amounts to is reconstruction of the state along totally different lines. The future requires the kind of efficient and incorrupt local, state and other administrations which hardly existed in the past.

ENERGY – CASPIAN SEA AND CENTRAL ASIA • by Robert Corzine

Quest for wall of money

Agreements have been signed aimed at drawing in tens of billions of dollars

One phrase reverberates around the oil-rich countries of the Caspian Sea region and central Asia: "A wall of money". This is what bankers and oil executives say will be required to develop the region's energy reserves and to bring them to world markets, and "a wall of money" is what the region's governments expect to reap.

The big question is whether the first "wall" will materialise to make the second "wall" possible. On the surface that seems possible.

Over the past 18 months countries in the region such as Kazakhstan, Azerbaijan and Turkmenistan have signed numerous international agreements aimed at drawing in tens of billions of dollars.

The presidents of all three countries have travelled separately to Washington DC to sign the most politically-sensitive and high profile deals involving US companies. The most recent such visit was last week, when President Saparmurat Niyazov of Turkmenistan used the occasion of an official trip to Washington to sign a broad-ranging oil deal with Mobil of the US and Monument Oil of the UK.

Such ceremonies have underscored the desire by the three countries to distance themselves politically from neighbouring Russia to the north, and to balance Moscow's influence in the region with a countervailing force spearheaded by US and other western interests.

But they have yet to unlock substantial actual investment, although many analysts expect a sharply rising expenditure trend over the next five years or so. Some estimates of international investment in the region's main energy producers over the next 7-10 years are as high as $60bn.

Much will depend on how quickly the big deals signed over the past year bear fruit. In Kazakhstan the main deals to watch are the North Caspian exploration project involving a consortium of some of the world's biggest oil companies, and the Karachaganak gas condensate field, which groups British Gas, Agip of Italy and Texaco of the US.

In addition, the flow of energy-related investment to Kazakhstan will depend in part on progress by the Caspian Pipeline Consortium in building the planned link between the Tengiz oil field – the single biggest foreign investment so far in the country – and the Russian Black Sea port of Novorossiysk. Chevron, the operator of Tengiz, has ambitious plans to expand output, but can only do so with a guaranteed export route in place.

In Turkmenistan, the recently concluded deal with Mobil and Monument will be the focus of attention. The agreement took longer than expected to sign and analysts will be watching closely to see how quickly it will be implemented, especially as it may require export markets in Iran to generate its maximum value. But that could run up against opposition from Washington.

Azerbaijan has signed the greatest number of energy deals of any of the Caspian or Central Asian countries. The most advanced project is the $8bn Azeri, Chirag and deepwater Guneshli development. It is one of the largest international oil consortiums formed and is being spearheaded by the Azerbaijan International Operating Company (AIOC).

AIOC's success in achieving early production was one of the keys to unlocking a slew of other deals, most of which involve longer-term exploration of Azerbaijan's offshore areas. The government of President Haydar Aliyev was especially astute in using the AIOC example to draw in more deeply oil companies from countries with which Azerbaijan was keen to curry political favour. US investors have been especially high on Azerbaijan's list.

Washington, in turn, has been keen to promote Baku as a hub for oil and natural gas transport routes from the region.

EQUITIES • by Vincent Boland

Slow process of rebuilding

Investors have to be dedicated to put their money into peripheral markets

Eastern Europe's equity markets are rebuilding slowly after the shocks of Asia's financial crisis. Already this year Polish shares have risen 20 per cent in dollar terms and Hungarian shares by 6 per cent. The Czech and Russian markets are also showing positive returns, although at much lower levels because of political problems.

Within the region, Hungary remains a firm favourite. The Budapest stock exchange has set the standard for others, with big, liquid issues, a political commitment to the reform and privatisation process that has not wavered despite changes of government, and a market watchdog firmly on the side of the investor.

Poland is following that example, and even in Russia there is praise for the market authorities, which have made protection of minority shareholder rights an issue in the teeth of the domination of the country's powerful business barons. Only the Czech Republic, among the four leading countries in the region, has failed to address adequately issues of transparency.

That apart, each country needs to make its own investment case, with varying degrees of success. "Investors look at the region from a country-specific rather than a sector-specific view, and Asia has cemented that approach," says Tim Drinkall, head of emerging Europe equity research at Deutsche Morgan Grenfell. "One should not invest in a sector in Russia and apply the same criteria to Poland."

That approach has seen Hungary emerge on top. The combination of a growing economy and the depth of the country's reform process saw the corporate sector report strong earnings growth last year, and the trend is expected to continue. Analysts say the market offers "safety, security, liquidity and visibility", four characteristics beloved of investors.

"The general perception is that Hungary is run by a very safe pair of hands," says Roger Monson, chief equity strategist at Daiwa Europe. Companies such as Matav, in telecommunications, and Gedeon Richter, in pharmaceuticals, have few rivals in the region. Earnings of the top 12 Hungarian companies rose by 55 per cent last year; 1998 should see the trend, if not the absolute level, continue.

Poland is also firmly in investors' sights, although the equity market has been something of a disappointment up to now. The forthcoming flotation of TPSA, the state telecommunications monopoly, should give the Warsaw bourse a boost that it has curiously failed to get from earlier flotations of KGHM, the copper concern, and Bank Handlowy. A flood of domestic flotations of small companies has broadened the market's worth to the economy but has yet to add depth.

"The Polish economy is growing strongly, but equity investors are disappointed by the lack of profitability and the proliferation of rights issues that has diluted shareholders," says David Aserkoff, emerging Europe equity strategist at Credit Suisse First Boston. "Poland doesn't have enough big companies to attract international investors, but the direction is clear and will ignite more interest."

The story of the Prague stock market is exactly the reverse of that of Budapest. Share prices are in the doldrums, undermined by political crises, the country's stalled economy and the resulting poor profitability of Czech companies. But long-standing structural problems are also to blame for lack of profits, and whichever party wins the upcoming election will need to address them as a matter of urgency, observers agree.

Russia's political crisis, on the other hand, initially heartened investors because of President Boris Yeltsin's apparent commitment to appoint a new government even more wedded to reforms. But the protracted process of appointing a new prime minister wasted valuable time in crucial areas of reform such as taxation and privatisation.

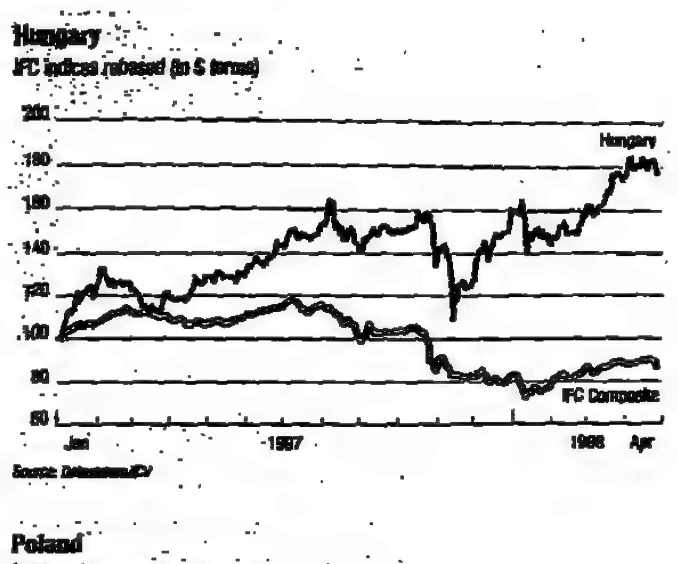
Outside politics, investors are quickly learning the intricacies of investing in Russia. Observers say the structure of the market has gone from "terrible" to "bad", with securities regulators at last clamping down on the egregious behaviour of some companies. Investors are increasingly going in with their eyes open.

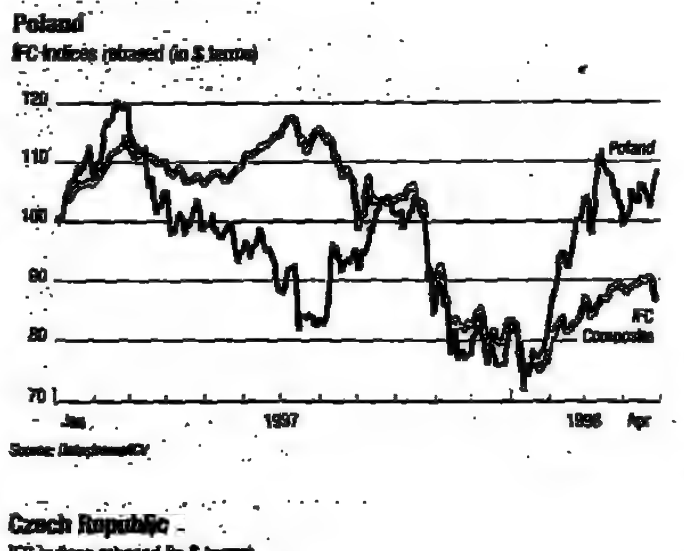
The Russian market was hit hardest by the Asian crisis and the resulting sharp falls in oil and commodity prices on which the economy is heavily dependent. However, Russian share prices may have been riding for a sharp fall. Before the Asian crisis, Mr Drinkall says, the market had risen too far, too fast, and a correction was inevitable.

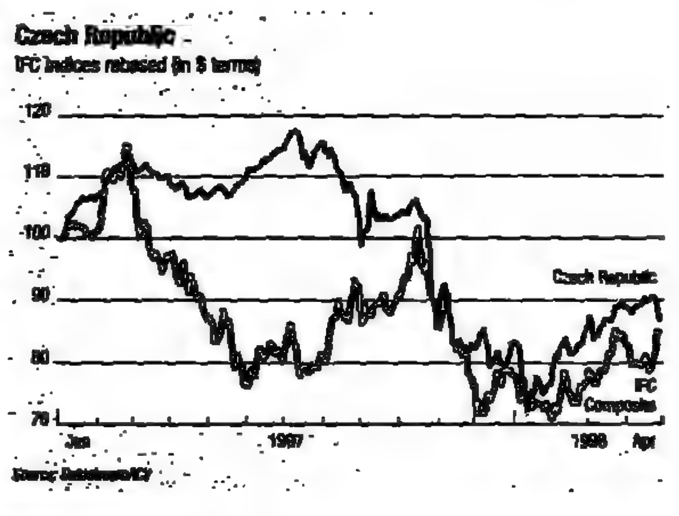
The experience has left investors, and Russian companies, a little more sanguine. "When you have a booming equity market you could bring anything Russian to the market and it would sell. Now, it's a much tougher game," Mr Drinkall notes.

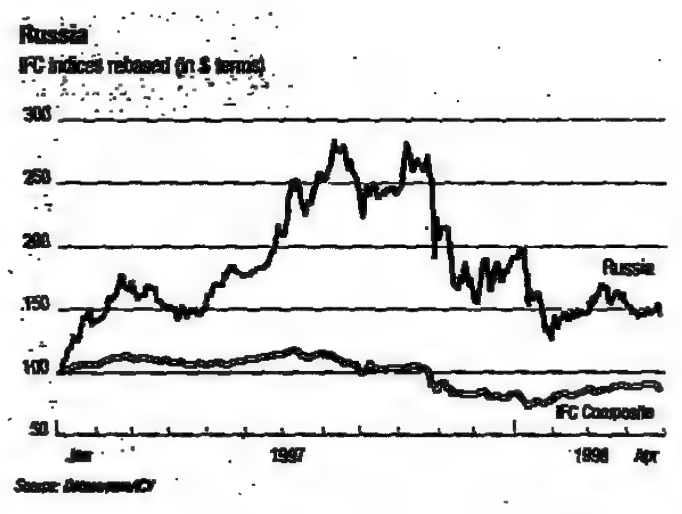
Elsewhere, Ukraine "never misses an opportunity to miss an opportunity", Mr Aserkoff says. Romania, however, may at last be emerging from its long hibernation. The recent political crisis was seen as an opportunity for a new approach to reforming the country's troubled economy.

In general, though, investors have to be very dedicated to put their money into the region's peripheral markets, because they do not have the liquidity or exit mechanisms of the more sophisticated exchanges. Tiny markets can double in value very quickly, but getting out often takes longer.









BONDS • by Vincent Boland

Borrowers queue up

Apart from Russia, international bond issuance from eastern Europe is low

In an ideal world, Russia might be the biggest borrower on the international capital markets because of its desperate need for capital. Both central and local government and a host of companies have either already tapped the willingness of international investors to buy high-yielding, high-risk Russian paper, or say they are planning to do so.

The lucky ones got their offerings away before Asia's financial crisis struck last October. That development sent yield spreads soaring and dramatically increased the cost of capital for all emerging market borrowers. Since then the queue of issuers has been whittled down as potential candidates pulled out, although many did so on the basis that issues had been postponed rather than cancelled.

Last October, in the immediate aftermath of the Asian crisis, emerging European borrowers actually abandoned the bond markets in favour of syndicated loans. The cost of straightforward borrowing did not rise as much as that of bonds, making the loan option attractive. The most significant transaction was a syndicated loan of $3bn by Gazprom. The Russian gas giant pursued that transaction after cancelling a $1bn convertible bond issue, saying the loan was substantially cheaper than the bond.

While Latin America accounted for more than 75 per cent of emerging market bond trading in 1997, according to the Emerging Markets Traders Association, eastern Europe's share has been growing rapidly and accounted for 15 per cent of the total market last year, a rise of 40 per cent on the previous year.

Russia's bond issues, foreign and domestic, account for the bulk of that market, and will continue to do so because of the size of the market. With high domestic interest rates, foreign investors increasingly willing to take on Russian risk, and a credibly managed rouble exchange rate against the US dollar, analysts say the country should continue to have access to the capital markets and see its bonds finding buyers in western markets.

Before Asia sent oil and commodity prices tumbling, Russia had built up its credibility in the markets with a number of successful issues. That credibility may have been further enhanced by the government's decision to stay out of the markets in the first quarter of this year. And despite the crippling problems of unpredictable budget revenues and woeful tax collection, "an external debt default is implausible in the near future", according to a report in March by West Merchant Bank.

Recent agreements with the Paris and London clubs of international lenders and a long-standing if occasionally tetchy relationship with the International Monetary Fund have relieved pressure on the government.

The risks involved in investing in Russian paper are still high, however, and this is reflected in the risk premium demanded by investors. Meanwhile, the political crisis sparked by President Boris Yeltsin's sacking of the government has cast a pall that goes wider than its own borders, according to Peter West, chief economist at BBV Latinvest. "Russia has been hanging over the whole market for the past few weeks and has affected emerging markets even as far as Latin America," he says.

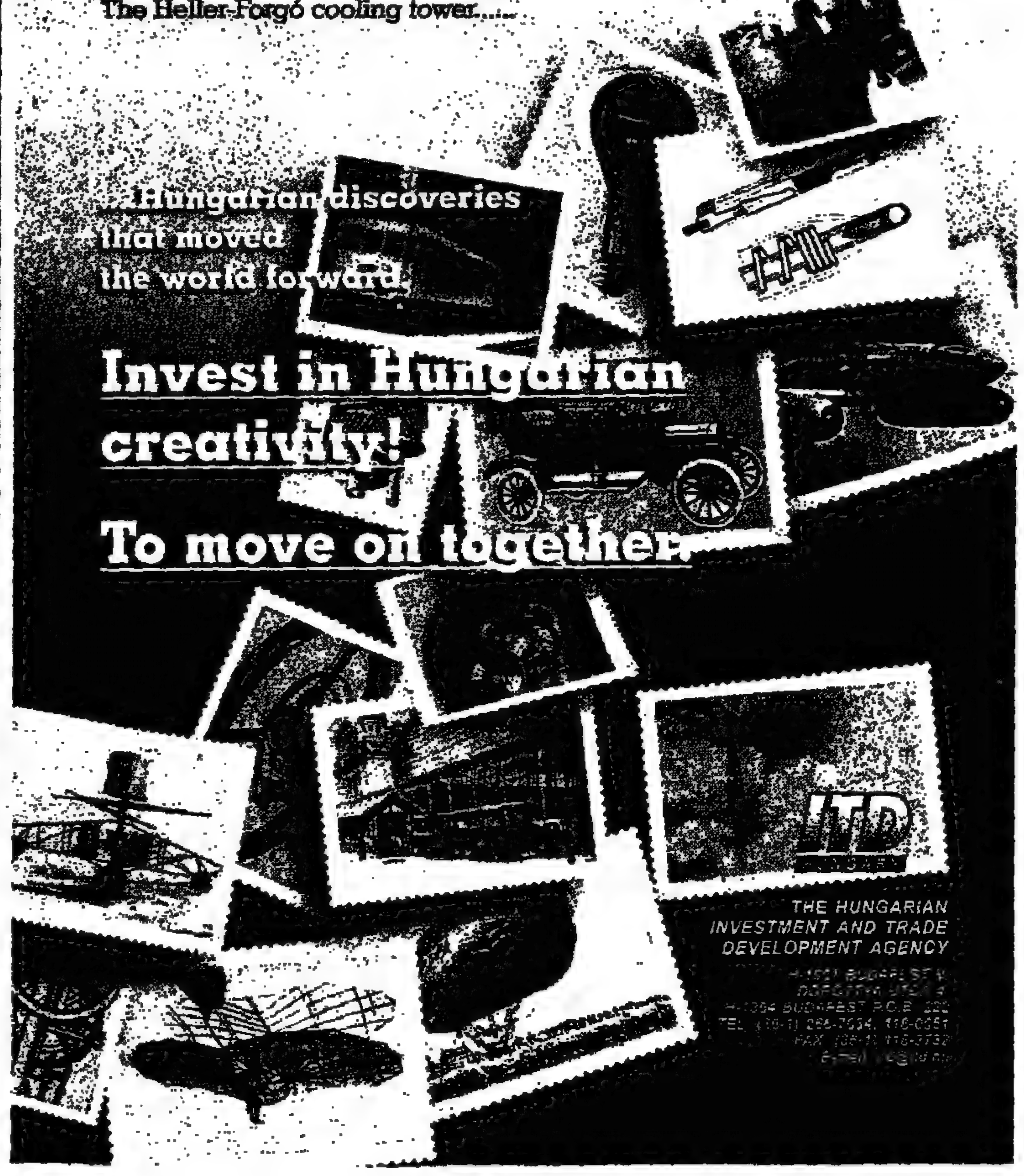
Apart from Russia, international bond issuance from eastern Europe is relatively low, although several countries in the region are attempting to establish benchmark eurobond issues. Within the region, the scale ranges from stable reforming countries such as Poland, Hungary and the Czech Republic, to acute disappointments such as Ukraine, which has been a graveyard for investors so far because of its failure to implement consistent reforms.

Such dithering is costing Ukraine dearly. In February, it made its debut in the mainstream international bond market with a DM750m ($412m) offering priced to yield 1,200 basis points over German bunds, the most expensive issue for a long time. The bond nonetheless found enough sympathetic investors for it to claim a success, partly because of the coupon of 16.2 per cent the bond carried. Bond market observers said that, expensive for the government as the issue was, any attempt to raise the money on the domestic bond market would have cost even more.

The Ukraine issue highlights one aspect of the global bond market that Asia did little to change – the never-ending search by western investors for higher yields. With yields on US and European bonds at historic low levels, anything that promises higher returns will find buyers if it is priced to reflect the risk involved in buying it, analysts say.

The Asian crisis has enabled European and US monetary authorities to postpone interest rate rises that many had predicted were imminent before the turmoil broke. Now, with the drop and commodity and oil prices, those rate rises may have been postponed further, because the prospect of deflation out of Asia has eased upward price pressure in other economies.

That may be good news for borrowers from eastern Europe in the longer term, and is likely to eventually help reduce the cost of capital, analysts say. Domestic bond markets at the moment remain largely the province of domestic investors, while currency risk is the main factor determining foreign investor interest. The focus now is on countries where interest rates have peaked or are headed downwards, with Poland the main area now that it has embarked on a round of interest rate cuts.



HUNGARY • by Virginia Marsh

Austerity has paid off

Analysts now expect annual growth of 5.5 per cent or more for this year

It is a sign of Hungary's increased international standing and its maturing democracy that the run-up to this weekend's elections has hardly caused any concern to investors.

Such is the confidence in Hungary's ability to complete market-led reforms and join the European Union early next century that politics, once all-important, hardly seem to matter.

This is mainly because the governing Socialist Party, the former communists, has turned conventional politics upside down. After a wobbly start that unnerved investors, the Socialists and their liberal coalition partners embarked on a Thatcherite reform programme that has drastically pared state spending, privatised most of industry, including the utilities, and established Hungary as the most advanced in the former East Bloc in reforming its economy.

The party, under Gyula Horn, a former senior communist, has robbed the centre-right opposition of much of its agenda and goes to the polls – the third free national elections since the collapse of communism in 1989 – with a strong chance of winning power again.

This is no mean feat given the initial unpopularity of the reform programme, masterminded by Lajos Bokros, then finance minister, and Gyorgy Suranyi, the highly-regarded central bank governor, in early 1995.

But the austerity has now paid off, after causing sharp falls in real wages and in domestic consumption and a slump in economic growth to 1.5 and 1 per cent of gross domestic product in 1995 and 1996.

Last year, however, helped by an export-led revival, GDP rose by a higher-than-expected 4.4 per cent and analysts now expect annual growth of 5.5 per cent or more for 1998.

The external balance has improved sharply. The current account deficit, at $981m ($1.68bn) was the lowest in central Europe last year and external debt – a serious problem just three years ago – has fallen to a level close to that of Poland and the Czech Republic. By January, the net foreign debt stood at $9.59bn, compared with some $22bn in mid-1995.

Merrill Lynch expects external debt to fall to 35 per cent of GDP this year, down from 59 per cent in 1994, and the gross consolidated public debt to fall to 62 per cent – close to the EU target of 60 per cent for EMU members – down from 82.5 per cent.

The transformation of the economy has been underpinned by direct foreign investment of some $17bn since 1989, out of an estimated $45bn for central and eastern Europe as a whole. Of the $17bn, $6bn-$7bn has come from participation in Hungary's privatisation process, with a large chunk coming from the sale of stakes in electricity and telecoms utilities.

On the macroeconomic side, one of the few blots on Hungary's record has been inflation which remains disappointingly high. There are concerns that, coming on top of strong export and investment growth, this could cause the economy to overheat.

Year-on-year consumer inflation stood at 17.1 per cent in February, compared to 17.7 per cent in January, with the government targeting an average rate of 14 per cent for the year. This is considered optimistic with the Organisation for Economic Co-operation and Development doubting the target will be reached.

The OECD, in its twice-yearly world economic outlook, also warned rising consumption might hurt external balances. Spending restraint and tight monetary policy would be needed to maintain confidence and external balances, and to fight inflation, it said.

It said risks to the economy include "the extent to which actual wage increases will, in effect, remain moderate, as well as the strength of consumption demand and the size of the government deficit".

Another concern is fiscal policy. In a recent report Merrill Lynch said "excessive fiscal expansion may be the biggest threat to Hungary's economic development". Employers' payroll contributions remain high, at more than 50 per cent of wages, and although pensions reform has begun, the country's expensive healthcare system remains a drain on the economy. The high taxes and still oppressive bureaucracy are among the problems most cited by foreign strategic investors.

Meanwhile, high inflation has sparked considerable debate over the crawling peg exchange rate regime. In mid-April the rate at which the forint was devalued was


Gyorgy Suranyi: masterminded the reform programme

0.9 per cent a month but a reduction to 0.8 per cent was thought imminent.

Opposition parties say the system, introduced in early 1995 as part of the reform package, should be scrapped as it is fanning inflation. But Peter Medgyessy, finance minister, said recently the country could not afford to end the system before 2000.

The macroeconomic success has been mirrored on capital markets, where foreign interest has remained strong despite the Asian financial crisis. The BUX index of the Budapest Stock Exchange reached a high of 8,818 points in March, after rising 93 per cent last year to 7,999 points. Roger Monson, chief equity strategist at Daiwa Europe Ltd, expects more modest growth in 1998, predicting the index will rise to 11,000, up 37.5 per cent.

PROPERTY • by Norma Cohen

Crane counts mount as cash floods in

Property development is transforming the skylines of most of the region

In Warsaw, the talk is of crane counts.

Once confined to highly developed, modern economies, counting the number of cranes over new construction sites is becoming an essential tool in understanding the investment markets in eastern and central Europe.

Property development, mostly fuelled by western capital, is transforming the skylines of most of the region. Although raw data on actual investment is unavailable, the anecdotal evidence suggests that the flood of cash available for real estate investment will continue unabated, at least for some years to come.

Heitman Financial, a Chicago-based property consultancy, recently announced it had teamed up with TKG International, a Silicon Valley-based developer, and had invested at least $75m to build US-style warehouse and distribution facilities in Poland.

Lehman Brothers, the US investment bank, has teamed up with French construction group Bouygues and international property consultants Jones Lang Wootton and plans to build 10 US-style shopping malls in the Czech Republic, Poland and Hungary at a cost of $150m.

Bennett LeBow, the maverick financier at the helm of US cigarette manufacturer Liggett, is to relocate a cigarette factory in downtown Moscow and redevelop its site into a 360,000 sq ft modern office building.

Mr LeBow's Brooke and New Valley companies have formed a partnership with the US-based opportunity fund, Apollo Real Estate Advisors, and Apollo's European affiliate, Pelham Partners, to develop properties, including a new cigarette factory, outside Moscow, with a total value of about $400m (£239.5m).

Meanwhile, Sam Zell, the American billionaire property developer, has teamed up with US-based investment bank Credit Suisse First Boston to create a new vehicle, New Europe Properties Advisory, which will invest up to $500m in central and eastern Europe over the next few years.

Western investors are now prepared to put significant amounts of capital into the region. The question is why.

Roger Orf, head of London-based Pelham Partners, which has committed $1.5bn to Europe, much of it in eastern and central Europe, says the first reason to invest has to do with arithmetic. "I can get returns of 10 to 12 per cent on capital in western Europe," he says. "I get double that in central Europe."

In the UK, he says, a developer can expect returns of 12 per cent on construction costs. But in Poland, that rate of return is about 25 per cent.

Mr Orf – like many other investors – makes a distinction between central and eastern Europe as target sites for real estate investment. Central Europe has had a long tradition of democratic government, a tradition to which it appears determined to revert.

"Once these countries become part of the European Union and Nato, the yields (rates of return from rental income) will come down to western European levels," Mr Orf predicts.

However, eastern Europe has a less stable political future. Some property developers concede they are deterred from investing in the countries of the former USSR because of the alleged corruption and incidence of organised crime.

"We looked at one development in central Moscow just a few blocks from the Kremlin," says the head of one UK-based property consultancy. "It looked perfect. Then we learned that we had to pay 26 separate government entities and security firms $1m each before we could even begin."

Moreover, the apparent "hit" of a US hotel developer in Moscow last year has heightened concerns about the personal security of western investors in real estate. "We are committed to opening in Moscow and St Petersburg," says the head of real estate for one leading western retailer. "But frankly, our people there ride around in bullet-proof cars with armed bodyguards."

Even without the political risks, however, developers say that central Europe contains economic and logistical risks that could deter even the most committed investor. Moreover, even within central Europe, investors are making distinctions between markets.

According to property consultants Healey & Baker, per capita GDP is highest in Slovenia, Hungary and the Czech Republic. However, while the Czech Republic has a population of 4m, Poland, with its lower per capita GDP, has 60m people, making it a more attractive market.

The Czech Republic and Hungary, with their somewhat more western economies, were able to attract property development capital earlier on, so that prime office and retail space is not as scarce – and therefore not as valuable – as it is in Poland.

This has been reflected in the trends in rental income in those markets, according to Healey & Baker. Polish high street retail rents grew only at an annualised rate of 1 per cent in the years 1992-97, but in 1997 alone, grew at an annualised rate of 9 per cent. This contrasts with the Czech Republic where retail rents grew at an annualised rate of 6.6 per cent in 1992/97, but were flat in 1997 alone.

Poland also appears to be the most attractive central European market for office space. Rents for top-quality new buildings rose at an annualised rate of 13.4 per cent in 1997 against 1.2 per cent in Hungary and nil growth in the Czech Republic.

Poland, however, remains one of the most difficult development markets in real estate.

Poland also has yet to enact comprehensive legislation on restitution of property seized first from Jewish owners by the Nazis and later from individuals by Poland's Communist government after the second world war. It has been beset by claims from former property owners' heirs.

Title insurers, Healey & Baker says, have been deterred from selling indemnity policies because the potential claims are so large.

Moreover, Polish law divided land equally among all heirs. Land parcels are typically long, narrow strips because it had to be divided so that each parcel bordered a public road.

"We had one suburban development that required us to buy 56 land parcels from 33 landowners," says one US developer about his 25-acre site. "It was like herding cats."

Moreover, Poland's creaking utilities have no capital for investment.

Developers must pay for installation of links to water, electricity, sewage and storm water drainage. "The cost of the utilities installation can be twice the cost of the land," one developer said.

Nevertheless, western investors show little sign of losing interest in central Europe.

CZECH REPUBLIC • by Robert Anderson

Sell-offs heighten interest

Exports are now supporting a modest economic recovery

The Czech Republic has long lost its sparkle as an investment location but the government is finally beginning to pursue foreign investors and address their concerns.

The most impressive evidence of this is the privatisation of what is the most developed banking sector in the transition economies of eastern Europe.

Two big banks have already been sold – Investicni a Postovni Banka (IPB) to Nomura, the Japanese investment bank, and Agrobanka to General Electric Capital, the financial arm of the US conglomerate. Advisers have recently been appointed to sell the state's controlling stakes in Komercni Banka, Ceska Sporitelna and Ceskoslovenska Obchodni Banka.

The sales will not just interest foreign banks which have yet to break into the Czech market. They will also affect investors waiting for the banks' large industrial shareholdings to be put up for sale and for managers in these companies to be forced to restructure.

The banks' dominant position as creditors and owners of large swathes of industry produced a build-up of non-performing loans and allowed poor management to stay in place on a drip-feed of credits, blocking foreign investors from arriving to recapitalise and radically restructure companies.

This failure to restructure helped lead to the unsustainable consumer boom and feeble trade performance which caused a currency crisis last May and a subsequent economic slowdown.

Exports are now supporting a modest economic recovery, although domestic consumption and investment remain subdued. Unemployment is also rising from a low base but analysts see this as a healthy by-product of accelerated company restructuring.

The currency crisis led to a thorough reassessment of the Czech economic model, which is only now being implemented. Among its results were the plan to privatise the banks – the linchpin of the model – and an end to the ideological resistance to capital market regulation.

Foreign portfolio investors had been scared away from the stock exchange by the way listed share values bore little relation to real prices because deals were stitched up off-market at the expense of small and minority investors.

Last month a capital markets regulator was finally established. Though it has to issue regulations through the finance ministry, the government appointed Jan Muller, a long-time critic of the capital markets, as its chairman and he has started work aggressively.

The caretaker government is also pushing through parliament a package of reform of banks and investment funds, which together with bank privatisation, will loosen their control of industry. Banks now cannot own more than 50 per cent of the shares of non-financial companies and investment funds cannot own more than 11 per cent (and must open-end by the end of 2002).

These measures have been diluted in parliament but nevertheless should improve the liquidity of the stock market and accelerate the process of investment funds grouping together to sell large shareholdings to strategic investors.

"Reform is starting to happen," says Richard Wood of regional brokers Wood & Co. "But it is starting very late."

The currency crisis also helped remove the mental block against investment incentives, which are expected to be introduced later this year. The former centre-right government under Vaclav Klaus had insisted that the country did not need to offer incentives and that they would be an interference with the free market.

However, foreign investment fell off in 1996 as privatisation stalled and the decline accelerated the following year after the currency crisis. The significance of this was highlighted by the strong exporting performance of foreign-owned companies such as Skoda, owned by Volkswagen, and the difficulties Czech companies were experiencing restructuring without access to foreign capital and expertise.

This year could be even worse. Jan Havelka, head of CzechInvest, the government's investment promotion arm, says: "The Czech Republic is facing a drop in FDI for the third consecutive year. If we were fully competitive we would not need these incentives."

Investicni: sold to Japanese investment bank Nomura

Privatisation has also moved up the government agenda but little has yet been sold apart from the two banks. The government announced an ambitious privatisation schedule in March but it is looking increasingly unlikely that much will be completed before the elections in June.

Despite the belated progress in meeting foreign investors' concerns, much still needs to be done. The European Union has highlighted the need for improving the working of the bureaucracy and the court system, and foreign companies still complain about customs procedures and the gaps in commercial law, particularly in collecting debts.

POLAND • by Christopher Bobinski

Foreign investors continue to opt for safety

A growth rate of 6 per cent and talks on EU membership are attracting global interest

Gerald Hines, the head and founder of Hines, a US-based real estate developer with a $2bn investment portfolio worldwide, plans to build 40,000 square metres of office space worth around $100m in Warsaw, the Polish capital, and he is clear about his reasons for doing so.

"The analysts at Trust Company of the West Group – an investor in Hines's $410m emerging markets real estate fund – keep putting Poland in the top bracket of their 'countries it's safe to invest in'," he says.

Leszek Balcerowicz: pledged to deliver tight money policies

Mr Hines's decision also marks something of an architectural landmark for Poland. He has retained Foster Partners, the company headed by Sir Norman Foster who has redesigned the Berlin Reichstag, the future seat of the German parliament, to design the new building which promises to set a high standard for the Polish capital's burgeoning array of office, retail and warehouse projects.

The project comes as foreign investment is flowing in at a steady $6bn a year and as Poland's European Union membership talks, which began at the end of March, offer the prospect for foreign companies of entering a low-wage but fast-growing and 39m strong EU market.

Most of all the attraction is a 6 per cent annual growth rate. This is coupled with confidence that Leszek Balcerowicz, the finance minister in the new centre right Solidarity-led government, will continue to deliver tight money policies designed to bring down inflation from last year's 13 per cent to 5 per cent by 2001.

The Monetary Policy Council (RPP), which directs central bank policy, shares Mr Balcerowicz's views that interest rates at around 25 per cent are too high. Indeed, high rates have been attracting portfolio investment in Poland's stock exchange, capitalised at around $12.5bn, or 10 per cent of GDP at the end of April, and in treasury paper. As a result the zloty has strengthened by around 7 per cent since the beginning of the year. This is fuelling worries that exports will weaken and a current account deficit, which reached 3.5 per cent of GDP last year, will grow to more than 5 per cent this year and cause a run on the zloty.

At the same time, foreign direct investors such as Pliva, the Croatian pharmaceuticals company, have also been piling in. Pliva agreed to pay $100m for a 70 per cent stake in a Krakow-based pharmaceuticals producer while Glaxo Wellcome, paid $220m for a controlling stake in another plant in the sector in Poznan.

Privatisation is also moving up a gear. The treasury's privatisation revenue target set for this year is 6.5bn zlotys, of which 1.5bn zlotys has already been achieved. The balance should come from planned sales of state-owned stakes in already listed banks such as the Polish Development Bank (PBR) in Warsaw and Bank Przemyslowo Handlowy (PBH) in Krakow.

The treasury is also planning to float the Pekao SA bank which controls 20 per cent of the banking system's assets. Other leading stock exchange listings will include Telekomunikacja Polska (TP) and the Plock refinery which accounts for four fifths of the country's refining capacity.

Until the end of last year foreign companies had invested $20.6bn in Poland since the beginning of free market reforms in 1989. Last year's flow was worth $5.7bn. The bulk of the foreign commitments came after 1994 which was the year in which Poland signed a debt reduction deal with foreign commercial banks.

The largest investors have been Daewoo, the Korean industrial conglomerate, and Fiat Auto from Italy, which together with Adam Opel, the General Motors subsidiary, have contributed to making Poland a leading regional motor manufacturing centre.

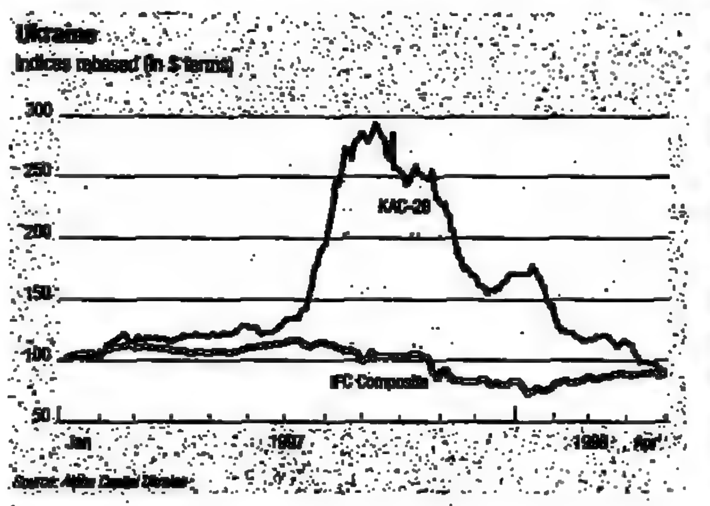
Adam Opel has sited its new plant in a special enterprise zone in Gliwice, in the industrial area of Katowice in the south of the country. The special enterprise zones offer investors corporate tax breaks for 20 years and have mushroomed around the country in a bid to create new jobs in high unemployment areas. Motorola from the US has announced it will be putting $100m into a semi-conductor plant in a similar zone near Krakow, the country's medieval capital.

Germany, Poland's closest western neighbour, is also the country's largest trade partner with around one quarter of foreign turnover. Its $2bn investment however is only 10 per cent of the total and smaller than that of the US. The US tops the list of foreign countries investing in Poland with a $3bn stake. Of the EU countries, Italy and France are not far behind Germany with a $1.6bn investment commitment apiece.

UKRAINE • by Charles Clover

Eyes on a future opportunity

In the wake of the Asian crisis, the tide of foreign investment has subsided



While the Asian crisis has temporarily dried up sources of foreign investment, Ukraine's $5bn domestic bond market and $4bn-$8bn stock market remain attractive for investors. When it begins privatisation of its large-scale industry, Ukraine is expected to be the next eastern European country to experience rapid growth.

Last year, Ukraine's stock market surged as foreign money poured in, but, in the wake of the Asian crisis, the tide of foreign investment has subsided for the time being, and the stock market has fallen again.

"Right now, it's the cheapest market in eastern Europe," says Isabel Knight, of Credit Suisse First Boston, explaining why her investment bank decided to start up what will eventually be a $60m investment fund dedicated to Ukraine.

Indeed, based on simple valuation comparisons, Ukrainian stocks are bargains.

Ukraine's domestic T-Bill market has the highest interest rates in eastern Europe, hovering around 50 per cent.

"Ukrainian T-Bills are one of the last high-risk, high-yield sovereign paper available where non-residents are legally allowed to invest," says Patricia Bartholomew, an economist at Wood & Company.

But there are good reasons for Ukraine's companies to be so inexpensive, and Ukraine's interest rates to be so high.

Ukraine's macroeconomic reforms have been implemented much more slowly than those in other eastern European countries which have been making the painful transition to market economies. As a result, the hryvna, Ukraine's currency, remains under threat of a devaluation due to the government's large fiscal deficits and low hard currency reserves.

So far this year, the hryvna has depreciated by 6 per cent, but appears to have stabilised.

"The perceived currency risk is the main factor behind the high interest rates," says Ms Bartholomew. "From my vantage point, though, looking at the flows into and out of the central bank, I would say they are well positioned for the year."

Meanwhile, for the stock market the main source of uncertainty is the country's privatisation programme. While most large Ukrainian companies are partially privatised, most are nowhere near reaching a point where a majority of their shares are held privately. Experts say that fully privatising Ukraine's large-scale industry will be a catalyst for an increase in share prices.

This year, the Ukrainian government is due to sell enterprises worth more than 1bn hryvna, especially in the third quarter, and analysts are eager to see the results.

"The primary factor in the development of the stock market in 1998 is how privatisation is conducted," says Charles Saunders, head of research for MFK Renaissance, the Moscow-based investment bank, which has just set up an office in Kiev.

But apart from privatisation, there are a variety of other macroeconomic problems afflicting Ukrainian enterprises which could lower their value, not least of which is a pervasive shortage of cash.

A survey by the European Union's Tacis project estimates that the payments arrears of Ukraine's companies amount to over 120bn hryvna, or higher than the country's GDP. And last year, according to the ministry of statistics, barter transactions amounted to 66bn hryvna, two-thirds of Ukraine's GDP.

For example, the electric utilities on average receive only 10 per cent of their revenues in cash. One side effect of this is that much of the financial information on companies is unreliable, because barter terms are valued arbitrarily.

Many other reforms are needed before the enterprise sector can get started. Companies face tax rates as high as 90 per cent, as well as monopolistic energy trading companies which extort virtually all a company's profits in exchange for energy supplies.

Ukraine's currency, the hryvna, is under threat of a devaluation AP

One indicator to watch for in the development of Ukraine's capital markets is whether the country will receive an International Monetary Fund-sponsored Extended Fund Facility, possibly as early as June. That would be a roughly $2.5bn, three-year credit conditional on Ukraine's ability to implement a drastic reform programme, which includes privatisation, deregulating the economy, and other macroeconomic reforms.

Experts are sceptical after the last IMF programme – a one-year $585m stand-by loan – was suspended in the first quarter of this year, after Ukraine failed to meet basic conditions which were much simpler than what the EFF stipulates.

But western diplomats are nevertheless optimistic, saying that now is the right time for reforms, after parliamentary elections ended in March, and before presidential election campaigns get under way in 1999.

Meanwhile, the last major variable in Ukraine' stock market is the issue of minority shareholder rights.

"Shareholder rights issues could make a big difference in the reputation of Ukraine's stock market," said Alexander Bazarov, head of Credit Suisse First Boston's office in Kiev.

Experts are hoping that new corporate governance legislation passed in January has closed some legal loopholes that had been abused in the past. In September, for example, the Ukrainian state-controlled oil company Ukrnafta tried to spin off a subsidiary which was responsible for 40 per cent of the company's revenues, though a shareholder suit stopped the action.

But shareholders of Dniproshina, a company which produces two-thirds of Ukraine's truck tyres, were not so lucky.

In November, Dniproshina's management decided to increase share capital by one third and give itself pre-emptive rights to the new equity, which was priced at a nominal value of 9 hryvna, or 12 per cent of its market value.

The issue has become a cause célèbre among Kiev's brokerage houses, which have since boycotted the stock, and are considering a suit against the company's management.

BALTIC COUNTRIES • by Matej Vipotnik

Swift liberalisation

Virtually all industrial and service companies in Estonia have been privatised

The years of shameless pandering to foreign investors have paid off. In March, Estonia began accession negotiations with the European Union, thus reaping the reward for the swift liberalisation of its economy.

Estonia is now eastern Europe's second largest recipient of foreign direct investment per capita. Virtually all industrial and service companies have been privatised and the private sector accounts for at least 70 per cent of gross domestic product.

According to Ardo Hansson, economist with the World Bank, local companies have developed a fairly strong financial discipline, and the direct privatisation method, modelled on the German Treuhand experience, has produced good corporate governance across the economy.

Estonian companies, once starved of investment, now regularly tap the local bourse and international capital markets at favourable rates.

The prospect of EU entry is now attracting US and Asian companies eager to gain tariff-free access to the common market by investing in Estonia. The newcomers are in good company.

However, Estonia's market of 1.5m people is too small for the ambitions of most foreign investors. Many companies, which chose the small Baltic country fbecause of its relatively efficient bureaucracy and investor-friendly laws, are now using Estonia as a launch pad for greater regional ambitions.

Latvia and Lithuania, which together with Estonia make a market of 7m consumers, are the natural targets. But beyond the relative efficiency of the Baltic states lie markets of great promise. St Petersburg and the north-west of Russia, Belarus and the Ukraine, are also being targeted by Estonian companies in an expansionist mood.

Another group of Estonia's large companies are coming to market this year. Two alcohol and spirits producers, Liviko and Moe, are on the privatisation list. Estonian Railways, whose infrastructure and wagons service Russia's vital transport links with the Baltic sea, will be sold, and Eesti Energia and Eesti Polevkivi, respectively the state-energy company and the oil shale producer, are also set to be sold off. Finally, a 49 per cent stake in Eesti Telecom, the telecoms monopoly, is be sold off in the fall.

Estonia's success in attracting foreign investors is rubbing off on Latvia and Lithuania, which until now have been slow in selling off the family silver.

In the summer, Latvia's government will sell off a 15 per cent stake in Ventspils Nafta, the strategic oil terminal on the Baltic sea through which 13 per cent of Russia's crude is exported. The stake may be worth up to US 400m.

Latvian Gas, a government monopoly, is offering a stake worth up to US$150m. Foreign investors, who hold about 57 per cent of equities on the Riga bourse, are also awaiting the privatisation of the Latvian Shipping Company, Lattelekom, the lucrative telecoms monopoly, and Latvenergo, an energy company.

But some of these companies may not be privatised until 1999. And the programme may be disrupted by political instability ahead of the September parliamentary elections.

The government was recently undermined by a squabble with Russia, which threatened to impose trade sanctions.

Despite the friction, trade in the region is set to rise once Russia's economy starts growing. If that happens, export-oriented Baltic businesses stand to profit handsomely.

Latvia's economy, in particular, could benefit from increasing transit trade and commerce with the eastern neighbour.

To catch the growth wave, Latvia's private sector, which accounts for more than 60 per cent of GDP, needs investment. But the European Bank for Reconstruction and Development says that while no significant administrative barriers to the creation of new business exist, the lack of long-term finance remains a problem.

Valdas Adamkus, Lithuania's new president, has pledged to overhaul the country's bureaucracy, a favoured target of foreign investors. They complain of stifling regulations, and an arcane legal system which deters foreign investment.

The state-owned monopoly, Lithuanian Telecom, is on the sell-off list alongside Lithuanian Airlines, the state airline, as well as the country's leading shipping company, Lisco.

But few investors are counting on those sell-offs to enter the Lithuanian market. The government is not likely to privatise the businesses through a flotation on the bourse in Vilnius, the capital. It has until now targeted strategic investors, rather than potential shareholders.

If the world is really getting smaller, being "global" just isn't the big idea anymore.

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RICHARD DONKIN

Beauty of simplicity

Rapid advances in technology have made many workplaces too complicated

I was given a lift the other day in a friend's Morris Traveller. He was given the car when he was 17. That was 27 years ago. He drives it every day to the railway station on his way to work in London.

He has the car serviced regularly. He says, half-joking, that it has reached the stage where the garage should pay him for the service. "The mechanics love to work on it because they rarely get the chance to look at such simple, straightforward engines.

"When it broke down and I called out the AA, the breakdown man couldn't drag himself away. He said: 'Is there anything else you want fixing?'" Most of the breakdowns these days, said the repair man, needed to be taken to a garage for the replacement of some chip or card.

Robert Pirsig understood the way that society was moving when he wrote *Zen and the Art of Motorcycle Maintenance*. Mr Pirsig not only found beauty and a sense of satisfaction in mechanical repair, but also made a case for fashioning components from scratch.

"It was the ingenuity of Chinese and Pakistani village blacksmiths, who worked wonders with welding gear, that kept many vintage and classic cars on the road during last year's Beijing-to-Paris motor challenge for cars that had been out of production for at least 30 years. The organisers had expected a large proportion to fall by the wayside. Yet, of the 93 starters, 82 made it to the finish.

Is there still merit in simplicity? When I began working in journalism the words were composed on a typewriter. The keyboard arrangement is still the same but word-processing systems are changing so rapidly it is becoming difficult to keep up with developments. I have used four different systems in the past five years. Each one is a little more sophisticated than the last, promising progressively greater capabilities.

The latest system does even more things. There are three different ways of performing some functions. But do we need such choice? Is the workplace becoming cluttered by technology for technology's sake?

So many areas of work today appear to have become entangled in a Gordian knot of complexity. Yet for all the sophistication involved in running a modern business, some of the most progressive company bosses eschew complex technology in their day-to-day management. Julian Richer, chairman of Richer Sounds, the UK hi-fi chain, jots down all his tasks in minute handwriting on an A4 sheet of white cardboard. Richard Branson, chairman of the Virgin Group, uses a notebook.

But for some of us who continue to have to work on a screen the office is becoming unbearable. Robert Youngjohns, vice-president of Sun Microsystems Computer Corporation UK, speaking at last week's annual convention of the Institute of Directors, put his finger on the problem. He said computer companies had been too ready to ship the complexity to the customer, "making them feel seriously inadequate if they can't manage it".

"Why are we spending millions of pounds upgrading our desktops with more functions than we'll need in a lifetime?" he asked.

Accepting his obvious sales pitch for Java software, his argument that businesses needed to invest in systems that allowed simple access seems laudable.

The reason such systems have been so slow in arriving may be that achieving simplicity – or apparent simplicity – can be hard work. James Dyson spent five years working through 5,000 prototypes before he was satisfied that his Dual Cyclone vacuum cleaner was ready for production.

It is as if businesses have become mesmerised by technology. If something does not look complicated, it does not seem worth it. This is not a new phenomenon, as J.A. McNeill Whistler discovered when he was accused of overcharging for two days spent on a painting. His asking price of 200 guineas, he said, was buying "the knowledge of a lifetime".

Hearing about the AA man who yearned for the chance to repair a car, I could not help thinking that the richness has disappeared from so many jobs. Technology, which we have worshipped for so long for its ability to save on work, is in danger of emasculating our skills, and the world seems a duller place because of it.

BG outplacement

Has Baines Gwinner, the City of London headhunter, hit upon the ideal way of protecting a recruitment company from recession? Adding to its training arm, it has just launched an outplacement subsidiary, BG Careers.

The establishment of a new outplacement business looks a brave move after a contraction in the market over the past year – KPMG pulled out of outplacement, selling its client business and counsellors to Sanders & Sidney – but Baines Gwinner might be hedging its bets in the belief that headhunting growth cannot continue at the pace of recent years.

Antony Dunlop, managing director, says the current market for outplacement in the City is about £10m ($16.7m) a year. Some of the existing operators in the market have expanded into other areas.

"We believe that diversifying competition has created an opportunity for niche market activity to provide a specialised service at the senior end of City financial services," says Mr Dunlop. "It seemed logical to Baines Gwinner to get into outplacement because it is counter-cyclical to executive search," he adds.

Some have argued previously that headhunting and outplacement do not sit easily with each other, but Mr Dunlop says the business will be run separately from the headhunting business.

Such developments placed alongside the recent acquisition strategy of SHL, the quoted test marketer, suggest that one-stop shops for all your human resourcing needs may be just around the corner.

richard.donkin@FT.com

WORKING BRIEFS

The hidden cost of permanent executives

Do freelance executives cost less than their permanent counterparts? PA Interim, part of PA Consulting Group, has produced a comparison. Measured against a director on basic pay of £120,000 ($200,400) a year, the interim, charged out at £800 a day, looks quite expensive at £168,000 for his 210 days a year. But when you add the bonus, pension contribution, car, stock option gains and the annualised value of a one-year contract to the permanent director's package, it begins to look more like £290,000, according to John Murray, head of PA Interim's international division. This makes the interim executive look like good value.

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Skills shortage

US executives are blaming their inability to improve sales on skills shortages.

A fifth of the 300 executives surveyed by Select Appointments North America, the staffing provider, said that with a fully trained and fully staffed workforce they could increase their sales by 50 per cent or more. In spite of the high demand for skills, the survey found comparatively few companies experimented with different forms of recruitment. No more than 14 per cent of those questioned use the internet to find new people.

Ideal locations

Why did General Motors pick Poland for its new Opel plant, or Samsung choose London for its European headquarters? Employment factors played an important part, according to a report on choosing business locations from the Economist Intelligence Unit.

The report, compiled by Ernst & Young's International Location Advisory Service, draws together factors likely to be considered by companies moving into Europe. In addition to property costs, financial incentives and infrastructure, there are sections on taxation, expatriate issues, labour costs, skills and education. The report has comparative tables on living costs, working hours, labour costs and educational qualifications. The Czech Republic, for example, has twice as high a percentage of graduating engineers as the UK.

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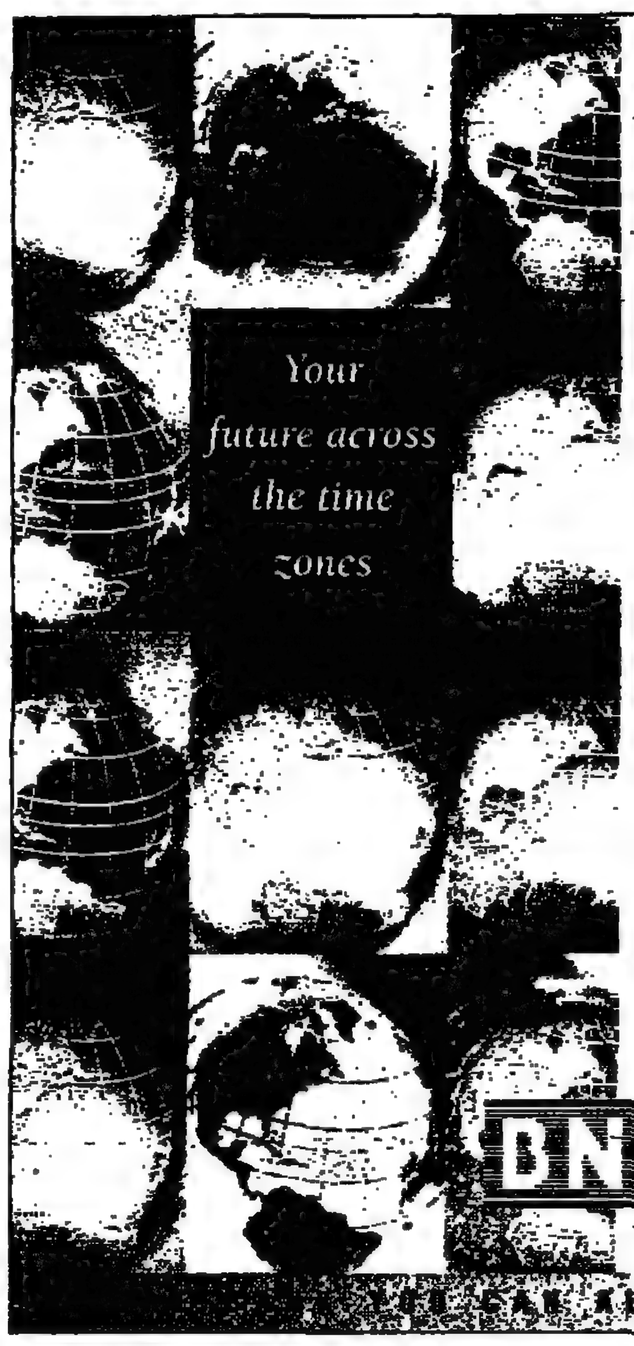

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7-11, Finsbury Circus, London EC2M 7DH

FUJI BANK

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call
Mark Williams on 0171 873 4027

Financial Times

A Prestigious Italian Financial Institution

Is seeking to recruit four highly motivated and experienced professionals for the following positions at its Milan Head Office in the area of its Credit Division engaged in:

STRUCTURED LOANS

• ASSISTANT TO HEAD OF PROJECT AND LEVERAGED FINANCE (REF. A)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured project and leveraged financings. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective transactions. His/her duties will include appraising the long-term feasibility of financing propositions involving drafting business plans and sensitivity analyses. He/she will also play an active role in growing the business by attracting new mandates from appropriate counterparties.

• ASSISTANT TO HEAD OF EXPORT FINANCE, DEBT SECURITIZATION AND SYNDICATED LOANS (REF. B)

The successful applicant will work in close contact with the Head of the Section in carrying out advisory mandates to develop and implement structured export financings, debt securitizations and syndicated loans. He/she will have the ability to "work outside the box", albeit as part of a team comprising the Head of Section, analysts and other key staff in the Credit Division and to handle financial, technical, market, legal and tax aspects of prospective trasactions. His/her role will include appraising the risk profile of syndicated loans, in consultation with the Head of the Section and analysts. He/she will also play an active role in growing the business by attracting new mandates from appropriate counterparties.

• TWO CREDIT RISK ANALYSTS (REF. C)

The successful candidates for these positions will work in a team with the two Heads of Section and their Assistants in developing detailed risk profiles covering:
a) project and leveraged financings, including drafting of business plans and sensitivity analyses;
b) export financings, debt securitizations and syndicated loans with special emphasis on country risk where required.

Candidates should be nationals of an EU member state and will ideally have gained three to five years' experience in the relevant areas with a leading financial institution, preferably with an international outlook. Fluent Italian and English are requisites, and proven ability in one or more other European languages will be an asset. Remuneration will reflect qualifications and experience and there are attractive prospects for career advancement within a young and dynamic team.

If you believe you meet the requirements for any of these positions, please send us a CV with your telephone number in strict confidence, quoting Reference A, B or C 98.25. Your application will be forwarded to our client unless you list companies to which it should not be sent.

MONITOR RESEARCH

Consulenti di direzione - via Manzoni, 42 - 20121 Milano - Fax 39 . 2 . 783916

Technical Analyst

SG is committed to strengthening its Research and Technical Analysis department within its Fixed Income, Forex and Commodities division. Following closely financial markets on a short and long term basis, your mission will be to provide day-to-day and mid-term strategies for the trading desks as well as for clients, in Paris and abroad (London, New York, Tokyo, Madrid, Frankfurt...). Candidates must have proven experience in using different kinds of technical analysis tools (traditional, numerical and/or Elliott Wave Theory). An excellent ability to communicate in a multicultural environment is essential.
The position is based in Paris.
Oral and written fluency in French and English is required.

Please apply with a complete CV, including details of current salary, quoting ref. OM/AT, to Odile Mohan, Société Genérale, Service Recrutement, Espace 21, 92972 Paris-La Défense Cedex.

MEDIA SYSTEM

With a staff of 55 000 worldwide, 2 600 branches in France and more than 500 offices in 80 countries, SG is active in every sector of banking and finance.

SG

ACCOUNTANCY APPOINTMENTS

SECTOR-LEADING, HIGHLY REGARDED MULTINATIONAL DISTRIBUTION PLC

This multinational distribution, retail and related financial services group is associated with many of the world's leading brands and generates turnover in excess of £4 billion across 35 countries. A wealth of operational experience and knowledge of doing business in a wide variety of business cultures provides a strong foundation for future expansion. A new strategy has focused the group on core activities and the top-calibre board is commited to developing a world-class business through outstanding operational and financial performance delivered by the best trained and motivated people. The Group's finance professionals are viewed as business managers who contribute substantially to commercial development, P&L performance and strategic decision making. The Group has an excellent internal promotions track record and has identified the opportunity to bring in two senior level finance professionals in key roles.

DIRECTOR, GROUP AUDIT

Substantial package — **LONDON**

The Position

- Develop strategy and implement policy and standards for financial audit across multinational business. Report to Group Audit Committee.
- Drive new, defined programme of internal controls to assess and monitor all significant financial risks.
- Structure, manage and develop a team of audit managers and staff.
- Champion total integrity and true value-added service as a sophisticated professional partner to the business.

The Requirements

- Qualified accountant with an excess of five years' audit management experience, to include senior management level in a large, multinational business.
- Impressive track record in developing audit strategy and delivering first-class audit reviews and reports. Impeccable integrity and business judgement.
- Proven people manager in multi-cultural environment; interested in the development and progression of team members.
- Clear, succinct and articulate written and verbal communicator. Detail-oriented with clear vision of the overall business picture.

Ref: 05536A/04

DIVISIONAL FINANCE DIRECTOR

Substantial package — **SURREY/LONDON**

The Position

- As the Company's prime operating division with a £2 billion turnover, this business incorporates 12 operations across the UK, Europe and the Far East.
- Senior level position reporting to Chief Executive and functionally to Group Finance. Manage dedicated finance team.
- Work with senior management team to develop business strategy, budgeting and financial forecasting.
- Ensure robust financial control to support the operations. Investigate commercial propositions and present financial justifications.

The Requirements

- Qualified accountant with experience at finance director or equivalent level in large, multinational business.
- Able to deliver tight and effective financial control. Capable at strategic and operational levels. Immediately credible with Group and operational managing directors.
- Commercially astute, customer-oriented and possessing sound business judgement.
- Excellent communicator and sensitive to differing business and geographic cultures.

Ref: 05536B/04

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting the appropriate reference.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com
Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

ACQUISITIVE MANUFACTURING PLC

GROUP FINANCIAL CONTROLLER

To £60,000 plus bonus — **CENTRAL LONDON**

Recent acquisitions and investment in new manufacturing facilities have increased both the international reach and the product portfolio of this fully quoted plc. A strong balance sheet, supportive shareholders and a credible and imaginative management team has positioned the Group for continued expansion in the UK and overseas, both organically and through further strategic acquisition.

The Group Finance Director seeks to appoint a Controller to co-ordinate central financial matters and act as the interface with the operating divisions. This is a developmental role in two senses: on the one hand, the Controller will be tasked with growing his or her role within the business - establishing links with subsidiary companies, improving reporting and analytical formats, recruiting and training a head office financial team. On the other, this role is seen as a springboard into a Divisional Finance Role in due course.

The Position

- Report to the Group Finance Director and manage a team of 3-4 financial staff.
- Responsible for both financial and management accounting and consolidation.
- Measure and investigate business and financial performance.
- Involvement in corporate finance, treasury and taxation.
- Liaise with divisional finance staff and with external advisors.
- Build a team of young professionals with potential to move out into front line roles.

The Requirements

- Young graduate-calibre qualified accountant, possibly with MBA.
- Proven experience of both financial and management accounting in a manufacturing environment.
- Sound understanding of business performance analysis, ideally in a corporate role.
- Exposure to 'front line' accounting in a subsidiary company.
- A track record of rapid progression in a business with a culture of personal/professional development.
- The maturity, presence and business acumen necessary to interface with senior management.

Please send your CV with current salary details to: Mark Hartshorne, K/F Selection, Concorde House, Trinity Park, Bickenhill Lane, Solihull B37 7ES, quoting ref: 90527A/04. Alternatively send by fax on 0121-782 2524 or e-mail to kfs-birmingham@kornferry.com
Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

EUROPEAN BUSINESS DEVELOPMENT ROLES

INTERNATIONAL ENERGY TRADING

VARIOUS CONTINENTAL EUROPE LOCATIONS — **PACKAGES £45-70,000 PLUS**

- Energy trading and risk management subsidiary of dynamic UK integrated energy group with a turnover approaching £3 billion. Trading in physical commodities and financial instruments to generate significant profit contribution.
- Aim to exploit deregulating European energy markets by translating the leading-edge UK trading model into the European mainland. Several outstanding managers are needed to spearhead the new ventures.
- Locally based in countries including Spain, Germany, Benelux, Scandinavia and Eastern Europe. Operating in small teams to penetrate local markets and establish "sub-book" trading operations. Significant freedom of operation within policy guidelines.
- Knowledge of energy markets essential. Trading or risk-management experience highly desirable. Business development experience within the international energy industry or possibly an investment banking background focusing on energy deals. Local market knowledge a strong advantage.
- Sharp intellect, creativity, strong commercial acumen and the ability to build relationships at the highest levels will be key to success. Strong business winning and negotiating skills. Ability to lead and inspire a small, mixed-nationality team.
- These are pioneering roles offering significant freedom and challenge. Excellent wider career development opportunities both within UK and internationally in this fast-moving, market-leading group. Candidates with similar profiles but with less experience should also apply.

Please apply in writing quoting reference 1633FT with full career and salary details to:
David Richards
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2053. Fax: 0171 290 2085
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

CHRIST CHURCH OXFORD

c£50,000 — **Oxford**

Treasurer

Christ Church seeks to appoint a Treasurer who will take the lead in the continued development of the college's financial strategy and the management and care of its assets to serve its primary purpose of education and research. A member of the Governing Body, the Treasurer will have a key role to play at a time of considerable change in the overall funding structure of Oxbridge colleges and higher education generally. The appointment is from 1st January 1999.

THE ROLE

- Responsible to the Governing Body for the efficient management of stock exchange investments, the college's agricultural and commercial property and other assets.
- As a key member of college committees, provide financial input to strategic and operational discussions. Lead and manage an office staff of 9 and a maintenance team of 22.
- Overall responsibility for the repair and maintenance of the college and Cathedral buildings, gardens, Christ Church Meadow and other properties.

THE QUALIFICATIONS

- High level abilities in financial management.
- Strong budgeting, forecasting and planning skills.
- Adaptable, diplomatic with sound judgment and the ability to operate effectively in a collegiate, committee environment: capable of contributing at college and university level.

Christ Church is an equal opportunities employer.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. ES/28148-1/SR, 16 Connaught Place, London W2 2ED

c. £70,000 + bonus & benefits — ***Global Data Entry Systems*** — **London**

International Controller

New role within a quoted Canadian corporation with global annual revenues of $150m which has experienced significant growth and is now refocusing its growing European operations. Challenging commercial remit working with local management and Group providing robust financial management to support further expansion, both organically and by acquisition.

THE ROLE

- Working with the Worldwide Sales Director to support country MDs and their teams by reevaluating performance measures and delivering business-focused financial management and control.
- Coaching and developing country finance teams to provide a more rigorous analysis and review service.
- Liaising with Group Finance to evaluate, deliver and integrate new country start ups and acquisitions.

THE QUALIFICATIONS

- Ambitious and proactive graduate Accountant, aged early 30s+ with strong financial analysis and reporting skills gained in a fast moving sector, ideally high technology or consumer products. Prior line experience highly advantageous.
- Perceptive analyst with strong commercial orientation. Dedicated team player with drive and energy, willing to use initiative.
- Adept communicator and negotiator, able to motivate and challenge contemporaries and peer group. Effective and confident at senior operating board level and capable of progressing further in due course.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. PAL/28214-1/58, 16 Connaught Place, London W2 2ED.

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appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.
For further information please call: Karl Loynton on +44 0171 873 3694

European Project Management

World Class Automotive Component Manufacturer

Excellent Package + Benefits — **Various Locations**

Exceptional opportunity to establish a single site Pan-European Accounting Shared Services Centre (ESSC) from zero base to fully operational in year 2001, employing 100 multilingual professionals serving 50 European Automotive Business Units.

THE COMPANY
- A $10bn turnover global manufacturing and service company providing high technology or engineering content to the automotive, space and defence markets.
- Head office in USA, 60 subsidiaries. Operates in 24 countries. Founded 1901.
- Profitable.

THE POSITION
- Establish an organisational structure, recruit and provide leadership, implement best practice systems to a process team encouraging cross functional support.
- Report to the Director, European Shared Services contributing to, and participating in, the development of the ESSC project plan, ensuring all process milestones are achieved.
- Assume a 'hands-on' approach to assimilate current SAP configuration and process designs. Commence a gap analysis to future ESSC process visions.
- Ensure that overall service level agreements are met, monitor performance and act as team focal point on technical issues.
- Work in tandem with and add resource to the current European SAP implementation programme.

QUALIFICATIONS
- Strong intellectual and leadership skills. Graduate with MBA or professional accountancy training. Fluency in at least one European language.
- SAP experience.
- Clear strategic thinker. Excellent presentation and communication skills. Able to influence at all levels.
- Innovative, energetic and highly motivated team player with sound appreciation of financial issues.
- Full European mobility. Able to commit to a 2-3 year project.

Please send full cv, stating salary, ref BRB0502, to NBS, 37 Queen Square, Bristol, BS1 4QS
Fax 0117 934 9370 Email paulc@nb-selection.co.uk Tel 0117 929 1142

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NB Selection — NBS — Recruiting Excellence

A BNB Resources plc company — ISO 9002 Registered

CAPITAL EXPENDITURE ANALYST

Switzerland — **Excellent Package**

Through their powerful premium brand portfolio and superior marketing, manufacturing and distribution expertise, our client is firmly established as the world's most successful consumer packaged goods company. Ranked in the top ten of all companies worldwide in terms of both profitability and market capitalisation, strong financial management is at the heart of business success.

Due to their continuing impressive growth and manufacturing infrastructure investments in the rapidly evolving markets of Eastern Europe and the Baltics, the company is seeking to recruit a talented Capital Expenditure Analyst. Based at their headquarters in Switzerland, working with a small high-performance finance team and liaising frequently with operations and engineering professionals, the Analyst will be responsible for preparing, analysing and reviewing capital expenditure proposals and budgets for affiliates across the region. Travelling periodically to the field, including to the markets of Russia, Ukraine and Kazakstan, the Analyst will also be responsible for assisting in establishing local systems and procedures for tracking capital expenditures.

Success in this role will require excellent financial and analytical skills, at least three years' experience in an international environment and exposure to operations or to construction management, with an emphasis on project work.

Strong financial modelling, planning and organisational abilities will all be critical to ensure completion of complex project proposals to strict deadlines. Fluency in English and superior communication and inter-personal skills are also essential.

Our client's working environment and the way in which it rewards its employees are as impressive as its business performance. The salary and package is generous, whilst success in this role would lead to a range of more senior opportunities within the company.

Interested applicants should post or fax their CV quoting ref. 264 and giving current salary details to Alderwick Consulting Limited at the address below. For more information and an initial discussion in confidence, please call (+44) 171 242 9191 (weekdays) or (+44) 1480 477437 or (+44) 966 119056 (evenings and weekends).

ALDERWICK CONSULTING

SEARCH & SELECTION
95 FETTER LANE, LONDON EC4A 1EP. TELEPHONE: (+44) 171-242 9191 FAX: (+44) 171-242 3500

International Services Company

GROUP FINANCIAL ANALYST

3 YEARS+ PQE

TO £50,000 + BONUS + CAR + BENEFITS/CENTRAL LONDON

Our client is a leading listed international services provider. It works in partnership with world-class clients and is committed to continuous improvement. Having identified a number of international growth opportunities, it has restructured to align itself with these markets. The Corporate Finance department seeks an ambitious Accountant to join the team.

THE POSITION
- Reports to the Director of Planning and Analysis and will involve evaluation of capital investment projects and client service agreements. Appraisal of project performance. M&A related projects. Contribution to strategy, corporate budgeting and results review. Provision of support in advance of executive board meetings and announcements. Adhoc projects.
- Member of a lean, yet high-profile, group head office team working closely with the board and divisional management.
- Substantial career development opportunities and some international travel.

QUALIFICATIONS
- Qualified Accountant demonstrating a track record of academic and commercial success.
- Confident, with the ability to build strong relationships.
- Desire to contribute to change, continuously challenging the status quo.

SAINTY HIRD & PARTNERS — SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 980407, to Fiona Jobson, SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

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FT FINANCIAL TIMES

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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and – to further target the French business world. For information on rates and further details please telephone: Karl Loynton on +44 171 873 3694

HEAD OF INVESTMENT BANKING
INVESTMENT BANKING EXECUTIVE

A large international financial company is looking for qualified professionals for two positions within our Moscow office. The ideal candidates should have:

- 3-5 years investment banking experience;
- experience in arranging M&As, LBOs, reorganisations, international buyouts;
- knowledge of the Russian and CIS business environment and experience in advising on and implementing both Equity and Debt programmes;
- Russian language - advantageous, MBS, MA or joint JD preferred.

To apply, please send your detailed CV, including current salary, and marked "Investment Banking", to our HR manager.

Fax: (7-095) 564-8299 or e-mail: marinan@cig.ru

Company Secretariat Executive

c £55,000 & car & benefits

Our client is a substantial and very active UK plc with market leading products and a competitive organisation. They now wish to appoint a graduate Accountant, Chartered Secretary or Lawyer to take a pro-active and hands-on approach to the management of Pensions, Insurance and Property (real and intellectual). Each area has a substantial impact on the Group and its financial performance leading the Board to look for a high standard of vigilance; clarity of presentation; financial/economic analysis; and effective assessment, management and co-ordination of advisors.

Candidates should have a high grade academic record through degree and professional qualification stages and a minimum of 5 years Company Secretariat experience at a senior level; with a specialist knowledge in at least one relevant area (preferably pensions). Strong personal motivation and application to detail need to be combined with proven analytical and communication skills, commercial awareness, and an understanding of the business implications of the issues.

Success will lead to a widening of the role which is the most senior position reporting to the Company Secretary. The location is in South West London.

Please reply in confidence quoting ref: L648 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 0171-240 7805

Mason & Nurse
Selection and Search

FINANCIAL CONTROLLER - BANKING

Emerging Markets

THE JOB

Financial controller required to monitor a bank and other non-banking investments in CIS country. The role would require the applicant to design and implement internal control systems to Western standards.

The role is likely to expand in scope and variety as further investments are made and requires an individual who is pro-active and can take the initiative.

REQUIREMENTS
- Appropriate accounting qualifications
- Experience in a commercial bank
- Willingness to live in CIS for at least two years.
- Tough approach to financial control, together with sensitivity to cultural differences.
- Experience of start-up or venture capital useful.
- Experience of living in an emerging market.
- Knowledge of Russian useful, but not required.

PAY

Salary and bonus negotiable.

Please reply to: Box A6134, Financial Times, One Southwark Bridge, London SE1 9HL

Business opportunities in Satellite Communications

INMARSAT

Inmarsat is a truly global organisation and the only provider of global mobile satellite communication systems today. Currently an inter-governmental co-operative with over 80 international stakeholders, Inmarsat is now on schedule to restructure the organisation into a privatised company, in preparation for an early flotation. These two high profile roles are pivotal in this transition process and are also important in further developing the organisation's commercial strategy world-wide.

Commercial Manager

Costing and Yield Management

The Role
- Assume responsibility for co-ordinating all pricing decisions for Inmarsat's existing and evolved services across engineering and commercial functions.
- Co-ordinate all the financial aspects of business cases to be put forward for Board adoption.
- Provide costing and yield management inputs for pricing new services and maintain and update Inmarsat's cost model.
- Make recommendations for other costing, pricing models and commercial practices to maintain the company's market share.
- Collect and analyse competitor pricing and propose competitive action.
- Liaise regularly with other Finance and Commercial staff to provide support on costing and pricing to other areas of the organisation.

The Requirements
- Minimum of 7 years' working experience in a commercial/financial analysis role - ideally in a telecoms arena or in consultancy. With particular emphasis on costing, pricing models and commercial practices.
- Graduate calibre in electrical/electronic engineering with either further educational qualifications in finance/business. Or several years work experience in a finance/business environment.
- Excellent written and spoken English together with well-developed communication and negotiating skills at all levels.
- Technical appreciation of telecommunications, preferably satellite or cellular.
- High level of computer literacy - both hardware and software, including spreadsheet modelling skills and good presentation skills.
- Ability to work alone or in a team environment with senior managers across the organisation.

Investor Relations Manager

The Role
- Carrying out effective Investor Relations (IR) and shareholder communications so to meet the needs of current investors and to attract others.
- Communicating the vision of the Company and portraying an accurate picture of the Company's prospects using the most effective communication channels in reaching the target audience.
- Understanding the role of capital markets in developing Investor Relations, establishing an open relationship with the financial media and distributing information as appropriate.
- Managing the communications programmes in preparation for an IPO.
- Developing and maintaining ongoing relationships with capital market analysts and encouraging them to 'follow' Inmarsat.
- Understanding the different financial reporting requirements in major countries and taking into account the shareholder base when considering investment opportunities.

The Requirements
- Graduate with a MBA or Masters degree with several years of relevant experience of the following:
  - Developing shareholder communications in the telecoms or satellite industry.
  - Dealing with the financial media and capital markets to enhance shareholder communications and investor relations.
- Confident self-starter with the strong interpersonal skills needed to establish and promote this new role.
- Highly persuasive, perceptive and diplomatic individual - comfortable working in a multicultural environment.
- Well-developed commercial and customer focus with clear potential for longer term career development.

In return, we offer the excellent salary and benefits package you would expect from a challenging and rewarding career in a multicultural, truly global organisation.

Please send your CV with current salary details to: Derek Wetter, Strategic Selection Ltd, Index House, St.Georges Lane, Ascot, Berkshire SL5 7EU. Tel 01344 636370. Fax 01344 874103. Email derek@stratsel.com.

APPOINTMENTS WANTED

CFO
for international Business

Tax Director (tax consultant), 39, EU citizen, experience in Big Six and U.S. multinationals offers
- commercial and customer focus, innovative and drive of change
- all aspects of finance and accounting both internally and externally e.g. audit, JAS, US GAAP
- process re-engineering (finance), workflow, knowledge management, and IT strategy know-how
- shareholder value strategy, value based management, risk management, competitor analysis
- strategic planning, international project-management and business planing, joint ventures
- creation and implementation of global tax-management-information-system, simulation-models
- tax policies, tax re-positioning, transfer pricing studies, treasury management
- first-class presentation and interpersonal skills
- personal development, coaching

Today I am looking for a new challenge on the first level in a dynamic global innovative multinational company. Please respond to Box A6137, Financial Times, One Southwark Bridge, London SE1 9HL.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Karl Loynton
on 0171 873 3694

Financial Times

IT Appointments

BUSINESS ANALYST, PROJECT MANAGER, SYSTEMS TESTER
OTC AND EQUITY DERIVATIVES

Our client is a leading global investment bank whose market activities include a strong presence in OTC and Equity Derivatives. A significant expansion plan and strong commitment have been applied to the development of state-of-the-art technology for these areas of business.

They require a Project Manager, Business Analyst and Systems Tester to work with the IT team developing and supporting solutions. Current projects include the development of a large scale OTC Derivatives settlement system which will support all OTC Interest Rate products such as Interest Rate and Currency Swaps, Caps, Floors, Forward Rate Agreements, Swaptions, Bond Options etc. Major functional components of the OTC settlement system will be accounting, payments and confirmation processing.

PROJECT MANAGER

Heading up a team of Business Analysts and Analyst Programmers, you will have overall responsibility for the production of deliverables. You will be educated to degree level, and have at least three years Project Management experience within the financial/banking environment with excellent structured analysis and design methods. Ideally you will have experience of settlements (payments, confirmations, accounting) together with an understanding of OTC Derivative products. A flexible person who is team oriented, strong verbal and written communication skills are a must. In terms of technology, the ideal candidate will have good working knowledge of Sybase, Unix and Windows NT.

BUSINESS ANALYST

As part of a small team of Business Analysts, you will work closely with Analyst Programmers on the analysis, design, build, test and delivery of the module. Educated to degree level, you will have at least two years experience of the financial/banking arena with good working knowledge of Sybase, Unix and Windows NT. It is essential that you are a flexible team player and possess excellent interpersonal skills as you will be working closely with other teams to ensure that their deliverable dovetails with the overall architecture.

SYSTEMS TESTER

The successful candidate will have at least two years experience within the investment banking/financial arena together with degree level education. You will be part of a team of testers working on various systems within the OTC and Equity Derivatives area. A good team player, it is essential that you are highly motivated with the ability to set targets, mobilise resources and plan and structure your approach to your work. Familiarity with Sybase, Unix and Windows NT would be an advantage, although the most important quality you will possess is an intelligent and inquisitive mind.

These are outstanding opportunities to join an organisation which is capitalising upon its position as market leader in the arena of OTC and Equity Derivatives. An excellent career structure is in place to ensure that ambitious individuals are able to fulfill their potential. If you have a proactive approach and can succeed in a challenging environment, please contact our consultants.

For further information contact
Fiona Phillips or Alex Blair
Huxley Associates,
17 St Helens Place,
London EC3A 6DE

Huxley Associates

Telephone: *0171 335 5890*
Fax: 0171 335 0008
Email: Jobs@Huxley.co.uk

DERIVATIVES AND FIXED INCOME
INTEREST RATE RISK MANAGEMENT SYSTEMS

• ***Project Managers*** • ***Business Analysts*** • ***Technical Consultants*** •

CITY BASED — HIGHLY COMPETITIVE SALARIES

Our client is one of the leading providers of solutions for risk management and trading systems for fixed income and derivatives. Their track record of success and growth has created a number of excellent opportunities for key individuals to join this dynamic organisation and to be a part of their strategy for global expansion.

These positions offer a good opportunity to work with the leading players in the fixed income and derivatives market as well as gaining exposure to the latest developments in this exciting field. There will be a significant level of customer contact with all positions.

Knowledge of the derivatives and fixed income markets and interest rate risk management are essential, together with direct experience of implementing front office systems with a major financial institution. The more technical roles require good experience of Windows NT, UNIX and Sybase.

Well qualified academically and with good interpersonal skills, you will have the ability to communicate effectively at all levels. A high degree of professionalism and enthusiasm with a delivery-oriented approach is essential.

You will currently be with a bank, consultancy firm or software house seeking a new challenge and have experience and knowledge of one or more of the following:

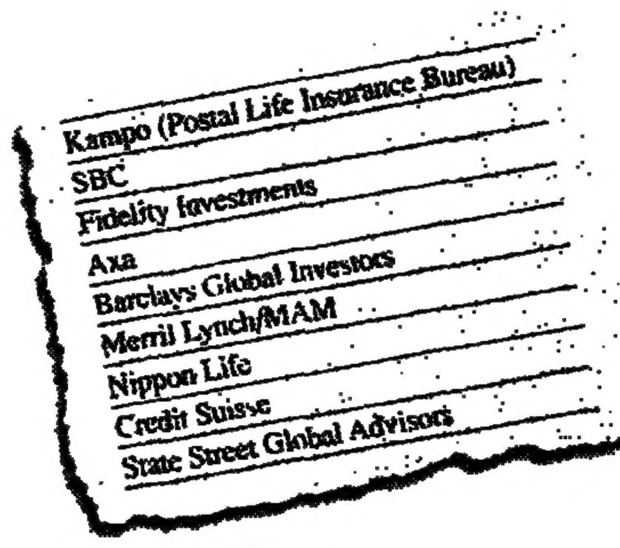
- **Fixed Income**
- **Interest Rate Risk Management**
- **Front Office Trading Systems**
- **Derivatives**
- **Implementation Management**

These positions will be well rewarded and may involve international travel. If you are able to meet these challenges and have the qualities and experience to realise these career opportunities, please send your CV to:

S&H Consulting Limited

Alan Summers quoting reference FTA0498 at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel (0171) 481 1171. E-mail – SHConsult@aol.com.

Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector.



One of the hottest investment management teams does not even appear on this list!

Within Price Waterhouse's Management Consulting Practice there is a dedicated team which works with the top organisations in the investment management industry, not only in the UK, but also across Europe and throughout the rest of the world.

The team is a recognised leader in its field. Its members share a profound understanding of the issues facing the industry and have the ability to develop and implement solutions to help companies and their senior management teams to manage change. Their ability and reputation in the market open doors that would remain closed to lesser organisations.

With your intimate experience in business processes and/or IT systems within a top investment management operation, you could soon be joining them. For that to happen, you will need a CV which identifies you as someone who can make a significant contribution to the team with a background in one of the following areas:

- IT – you are either an IT professional with a good understanding of the business gained through business analysis or full cycle project management, or an end user who has been heavily involved in specific IT projects in your area of the business. Experience in one of the leading software packages would be an advantage;
- Operations and finance, including settlement, fund accounting, custody, corporate actions etc. – your practical experience will have involved you in management of some significant change within your business area;
- Customer service and management – you may have been involved in making your salesforce more effective or in implementing a customer management programme.

Your experience will probably have been gained within one of the leading investment management companies. Alternatively, it may have been gained within a management consultancy firm or a recognised software vendor specialising in this market sector.

You will also have to demonstrate intellectual stamina and high levels of energy, enthusiasm and commitment with a strong delivery orientation. You will need to be able to demonstrate the flexibility to adjust to an environment with no formal hierarchy and the ability to initiate and manage change.

Working within the Price Waterhouse Investment Management team represents an opportunity to work with like minded colleagues for some of the most respected organisations in the industry providing you with an unparalleled diversity and depth of experience.

Price Waterhouse and its clients expect the highest standards from its staff. If you think your CV attains those standards and if you would like to improve it significantly, then please send your CV to Tim Forster, Price Waterhouse, 32 London Bridge Street, London SE1 9SY. Fax: 939 3366.

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A formal accountancy qualification is not necessary for this role, although an appreciation of management accounting would be advantageous. Strong spreadsheet skills will ideally be combined with a good working knowledge of database applications, such as Access. *Salary will not be a limiting factor for the ideal candidate.*

Write with full CV, including contact telephone numbers and salary details, quoting reference FT/166, to Patrick Donnelly, PD Consultants, 23 Durlston Road, Kingston-Upon-Thames, Surrey KT2 5RR.

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For further information on these and other positions please contact **Rod Mackenzie** or **Leasa Carlyon at Zarak Group Technology on 0171-523 3720. Fax on 0171 523** 3721 (01279 725683 evenings and weekends) or write to 37 Sun Street, London EC2M 2PY. E-mail rod.mackenzie@zarakgroup.com

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